

## JPRS Report

# **East Europe**

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#### **BULGARIA**

Party Personnel Policy, Training 22000048 Sofia NOVO VREME in Bulgarian Jun 88 pp 35-42

[Article by Nikolay Kosev, deputy chief of the Organization division of the Central Committee of the BCP: "New Personnel and Work Requirements"]

[Text] The main requirement for personnel work is to respond to social development needs, to be constantly up to date, taking into account to the highest level the dynamics, complexity, contradictions, and the continuously increasing requirements, to uncover in a timely manner new problems, and to train administrative personnel to solve them. To be all that, it must be scientific; it must rely on the achievements of Marxist-Leninist sociology.

There is a natural relation and contingency between socialist development tasks growth in scale and complexity and the increased attention that must be paid to personnel problems by the party, party organs, and organizations. The continuous improvement of the organization and mechanisms for administrating personnel processing is on this basis and, on the other hand, on changes and increases of new requirements for the quality and behavior of administrative personnel of all levels.

Now, under the conditions of implementing the July Concept for further building of socialism in Bulgaria and the work initiated in response to the decisions made during the National Party Conference, changes and renewal in personnel work and administrative personnel requirements cannot continue according to the old way of gradual improvement and evolutionary development. We need profound, quality, and changes revolutionary in content and nature, so that personnel work and personnel may turn into a principle factor of party, state, and society restructuring.

It is interesting that namely personnel and personnel work must be first to pass a certain type of special test, according to the words of Comrade Todor Zhivkov, to accomplish restructuring in themselves, but at the same time to fulfill their political and organizational responsibility for the outcome of restructuring in all areas of life, so that the party can implement its policy and strategic course through them. This is an established tradition, however now, under the conditions of restructuring, it has a new content and a new principle meaning.

The administrative role and leading influence of the party which will be implemented in the future above all through the communists and administrative personnel of corresponding organs of state government, self-governing organs, and self-governing communities, is new. The environment is fundamentally different from the period before the July Plenum of the BCP Central

Committee (1987) and the National Party Conference. It places personnel under conditions of basically new socialist realities where new problems and tasks requiring solutions are surfacing.

To respond to the criteria of the July model for socialist development and the quality changes objectively resulting from it in the forms and ways of implementing the new type of party leadership, free from administrative methods based on commands, bureaucratic deviations, and other defects in the personnel work of party organs and organizations, a process of serious changes and restructuring is being implemented. It is in the beginning of its development and intensification, but it is a true fact because restructuring of personnel work is not separate from the renewal processes taking place in society as a whole.

The basic and specific reasons for the need of restructuring can be found within the organization and conditions of personnel work as a process in which the following weaknesses and unsolved problems are found:

- —it is still not free from phenomena such as subjectivity, secretiveness, and occasions where one limited circle of individuals or one administrator takes over the decision making process on personnel, thus isolating the collective organ. A situation can be reached where there is no actual personnel policy but personnel "monopolism" in its place;
- —equally dangerous is the merely formal and consequently minimal collectivism, such as are the manifestations of intolerable passiveness and indifference regarding personnel issues by some elected organs;
- —in many places, the necessary conditions have not been created for the selection and training of the most capable personnel, and for the formation of a truly broad personnel base;
- —work and administrative style and methods are being restructured slowly; quite a few administrators' ways of thinking and acting lag behind the new needs;
- —too rapid advancer ent of unqualified people is permitted;
- —personnel training continues to be burdened with many formalities, traditionalism, and remoteness from practical needs. Not everyone in personnel realizes the need to study and retrain.

Restructuring of personnel work is an on-going, irreversible, and comprehensive process involving substantive, quality, and revolutionary changes in selection, education, and training in ways of thinking and acting, and in the style of work methods of all categories of personnel.

The decrees and decisions of the 13th Party Congress, the July Plenum of the BCP Central Committee (1987) and of the National Party Conference contain a set of new requirements and tasks which are posed before personnel work of party organs and organizations in implementing the new socialist model. Through them the requirement for restructuring is formulated and the directions for its organized and purposeful implementation are described.

As follows from the general theoretical and principle decrees in party documents, it must be noted that there is no generally valid formula and recipe for the way to organize and implement the restructuring process of work with personnel and the personnel itself. The process is lively, concrete, multifaceted, and specific. Every party organ (and every party member), guided by the principle decrees, must solve with precision the problems rising from the requirements of active restructuring.

The main thing is not only to assimilate and understand the need for restructuring. It is necessary to introduce specific changes in the process which correspond to the tempo, limitations, and nature of restructuring given by the Central Committee. At the same time, it must be known that it is a creative process which cannot be restricted too narrowly. Specific situations suggest specific answers. One thing is intolerable: to allow the process to develop without plan and by itself, and to be left under the influence of subjective evaluations, special group interests, and unscupulousness. Instead of eliminating incompetent personnel, it is intolerable to eliminate "inconvenient" personnel under the pretext of restructuring. Restructuring of personnel work will not only be a profound change of organization, methods, and mechanism of the personnel process, but at the same time a change, at times a very drastic one in the conditions and status of hundreds of people, not only a horizontal rearrangement, but also directed toward collective labor groups and finances. A change not only in the social position of some administrators, but also "infringement" on confirmed stereotypes and habits, and "infringement" on the internal "ego" of a number of people. Confrontations and dramatic situations will spring up immediately. High degree of scrupulousness and precision is required from the actions of party organs and organizations, as well as Leninist concern and April trust for every individual worker.

Starting from a methodological point of view of the comprehensive nature of the restructuring process, we must figure that it will touch all sides and elements of the organization and system for work with personnel, which functions on all levels of party administration.

The starting position is as follows: The entire organization of work with personnel will be restructured, but it is necessary to determine specifically and differentially where and what is needed and the time limits required for completion. The principle of "stages" in implementing restructuring should be reflected in specific plans for action by the party organs and organizations, within reasonable time limits for which they are prepared. It is not required to have an individual separate plan (program) for restructuring in the area of personnel, but it is required to have the elements, stages, and problems of this process included and outlined in general plans.

Familiarization with the plans of a number of party committees and party organizations shows that they do not address personnel problems from the point of view of the necessary restructuring. It is believed that this should be done only in specially prepared plenums which will confirm the decisions and set change in motion. This method is incorrect because it shows lack of understanding of the nature of restructuring and slows down its development.

Proper methods, correct evaluation, and well thought out organization are necessary to guarantee proper implementation of the restructuring process without artificial pressure and dramatic confrontations, but also without denying and deviating from the high and necessary goals which have been established.

In relation to content, restructuring affects all facets and phases of party organs and organizations' work with personnel, both active and reserve. Here too, a specific and differential approach is necessary.

Dividing the implementation of specific measures for change in stages must be based on critical analysis and evaluation of the work situation and level of each one of the different phases of the personnel process which must be made according to plan and within set periods of time.

All facets and problems with organizing work with personnel are equally important and function as elements of a unified system with a common relations and interdependence. But specific analysis may outline some priority positions which require quick measures for change under the new conditions and requirements.

A cardinal problem with personnel work under the conditions of self-government and intensive development of the scientific and technical revolution is the ability to find, educate, help form, and encourage continuously new and fresh personnel resources for administrative jobs, to clear the way for those who are most capable, intelligent, enterprising, trusted, and respected by party organizations and collective labor personnel. The potential of personnel created after the April Plenum of the BCP Central Committee (1956) is powerful, highly skilled, intelligent, politically mature, and loyal to the socialist cause. It is constantly developing, and at this stage it is necessary to replenish it with new quality characteristics, with personnel which accepts restructuring as its own fate.

Special attention must be paid by party organs and organizations to problems with investigating and selecting personnel, the stage where not only the functional fitness of the personnel system is checked, but it also may be the beginning (or end) of the development of a talent and a human fate.

A leading principle of practical work in investigating and selecting personnel is the party class approach where leninist principles for political, work, and moral qualities are the criteria.

Analysis of the work completed in various party committees and organizations for investigation and selection shows a number of serious flaws, negative experience, and sketchy and limited methods. The evaluation of political qualities is formed almost entirely on the basis of background and environment data and not on the basis of individual political maturity and conviction of the prospective candidate, about whom direct impressions in most cases are quite superficial. Too much trust is placed on the outward appearances of behavior and declarations. The political, working, and moral qualities of personnel are not investigated and evaluated in a consistent and well developed manner. A one-sided and incomprehensive approach appears which often leads to unscrupulousness.

The narrow and formalistic implementation of the principle of political and working qualities has made personnel work too formalized, dogmatic, and inconsistent when applied in the practical work of a number of party organs.

There are certain qualities which every administrator must have. He must be honest, just, sociable, open, democratic in his work with people, diligent, and humane. None of these qualities can be absent, nor be compensated by others, albeit strong ones. If you are not honest, nothing can establish you as a modern administrator, and also there are no work accomplishments that can justify violations. We cannot speak of the administrator's morality if the most elementary and simple human virtues are absent.

The social base for selection and promotion of personnel must be broadened significantly. This is a serious task which originated from the July Concept and the decisions of the National Party Conference and which must be fulfilled during the process of restructuring.

The personnel system must "open" itself totally to those who are talented, dedicated, honest, unselfish, truly knowledgeable, and capable. It must reject careerists and present day office-seekers, and it must be able to distinguish between the aggressiveness of mediocre power seekers, and the quiet, businesslike activities of those who truly love their work and not the administrative position or title.

Profound quality changes must be implemented in the entire chain of personnel processing such as distribution, direction, promotion, and transfer, training and education, stringency and fulfillment of duties, and evaluation.

Restructuring of the personnel process cannot be achieved if each phase is not approached from new positions corresponding to the principle requirements of the July Concept and the formulations of the National Party Conference. Let us consider the problem of personnel movement and distribution. According to the previous model personnel moved, as a rule, only in one direction: toward the top of the pyramid. Establishing the principle of self-government requires a fundamental change in previous ideas and methods for progressive development. True promotion of personnel to the highest level, and this tendency will probably become the rule, will occur in collective work groups in self-governing communities. It is the place where most problems of the person as a worker, creator, and user are solved. Such change in movement and development of personnel cannot express anything else but a process of profound restructuring.

Serious restructuring must be implemented in the system for personnel training and education which should affect existing forms of training, as well as established methods of education process organization and in the formation of education contents. And first of all formalism, primitivism, and irrelevance to real needs which dominate all forms and levels of training must be eliminated decisively, so that it stops being "a quiet port" for those who teach, and "a nice rest" for those who are being taught. With the help of organizational and educational means the sense of personal responsibility of the personnel for their theoretical development and professional growth should be increased. Mechanisms and encouragement to acquire the very necessary and almost absent ambition and interest by the personnel to increase continuously their knowledge, experience, and skills in organized ways and through self-improvement.

Implementing quality changes in the personnel evaluation system and criteria, and transforming evaluation into an effective and constantly used instrument of personnel policy is a top priority requirement. The main factor here is to give maximum affirmation to the important party principles and requirements and apply them without exceptions. Subjective evaluation, regardless of who does it, should be considered a gross violation of the main fundamental principle which is collectivism and on which party personnel policy is formed.

The need to broaden democracy in personnel work is natural. It arises not only because of the presence of some defects, deviations, weaknesses, and flaws in applying leninist principles and in the implementation of the April personnel policy by various party organs and organizations. The objective foundation for future democratization of the personnel process is the increase and quality renewal of democratic forms in socialist society.

The process of increasing democratization of personnel work cannot develop automatically, without difficulties. even though there is equal interest and desire for everyone to be included. It is exceptionally important to understand this because the main difficulties will come not only because of the unwillingness of higher organs to "allow" more democracy, and desire to keep their rights and positions, not only because lower subdivisions are "unprepared" for self-government, but most of all because of the inability to both live and work under democratic conditions, glasnost, and open expression of the opinions of communists and collective labor groups. It is paradoxical to make great efforts to develop an "intelligent" machine, while ignoring, and even at times suppressing, the intelligent person (because his ideas are different from those of his boss).

Increasing the role, participation, and responsibilities of PPOs [Primary Party Organization] and all communists during the discussion and decision making process of personnel issues is a principle trend in the development of democracy in this area. After the July Plenum and the National Party Conference there are categorical requirements to move toward true changes in the existing situation in which PPOs and individual communists have practically no rights. The pyramid of titles here must be placed in its normal position. Most of the candidates for administrative positions inside and outside the PPO should first be discussed there. Taking into account given opinions and considerations, correlating them with the positions of the communists from other PPOs, and with the opinions and evaluation of the collective labor group (or groups) should be done first and then the party organ having the right to make the decision should make a pronouncement. The same order should be followed for personnel evaluation. The number of positions in the list of job descriptions in higher organs should be sharply decreased and those in lower organs and PPOs increased. The already meaningless discussion whether primary party organizations have a right to their own list of job positions should be discontinued.

There is much to be changed in the deep-rooted stereotypes and mechanisms in certain places for dealing with personnel issues where on the surface everything is democratic, but in reality free discussion is limited, or there is insufficient consideration for the opinions expressed by the communists or the members of the collective administrative organ. They feel that every recommendation made by the first or other secretary or pre-established position of the administration of a given organ should be accepted by all of its members only for the sake of trust and unity of action. Often various administrative organs and administrators violate the established bylaws of the party for democratic process and method of preparation, discussion, coordination, and decision regarding a given personnel issue, by rearranging the places of the various steps in personnel procedure and thus disrupting the logical continuity, especially in job positions in higher organs. The question is not presented for discussion in the collective organ; only a few of its members are consulted instead. The recommendation is not made in the name of the organ, but in their own. They do not show the true motives and reasons for a given change, but hide instead behind general formulations or avoid explanations entirely. All these and similar activities have nothing to do with the true concern for a healthy and principled atmosphere, and at times, they are even the result of purely subjective considerations.

The sharp increase in stringency, the elevation of the level of accountability and supervision over administrative personnel activities is an important step in the democratization process.

The broad development of glasnost, the way of making decisions and taking measures regarding personnel issues which is understood by everyone and is open in nature, will exclude the possibility and eventual desire to make sensationalistic and demagogic comments, and will increase mutual trust.

There are great resources for developing democratic principles naturally which represent the true substance of collective administrative organs on different levels and in different areas: committee plenums, conferences of organizations, people's council sessions, meetings of organizations and collective groups, and so on. Democracy in the activities of these organs is becoming greater by reinforcing their supervisory, reporting, and evaluative functions in relation to those whom they have elected to be their leaders. These forms must become true and demanding platforms for the accountability of administrative personnel. On the other hand, there must be an opportunity for true and continuous participation by every member of the collective organ in its activities on the basis of a definite task or function, and not only and exclusively on the basis of meetings and even then, in only one way: by voting on decisions and recommendations made by others.

A great deal of democratic enthusiasm has been invested in the new structure and function of the oblast and obshtina party committees established by a special decision by the Politburo of the BCP Central Committee after the July Plenum.

The development of the principle of competition and choice, the establishment of competition in selecting and promoting personnel are important democratic tools if they are applied without formalism, under the supervision of PPOs and the communists, and in the atmosphere of public discussion and glasnost. The organizational and normative democratic nature of these forms is wholly guaranteed by the bylaws of the BCP (for party

organs and organizations), the Labor Code (for self-governing organizations), by the bylaws of community and artists' organizations. Reality, however, is quite contradictory and is still far from the real dimensions of true democracy. Here the processes are still in the beginning stage.

A strong impulse of democracy in personnel work will be given by the decision made during the National Party Conference to start preparing to introduce into the party the mandate principle for personnel selection (and afterwards in the state organs and all community organizations). This question will be dealt with at the 14th Party Congress, but its positive influence will be felt before that, during the preparation process for its application. It is necessary not only to prepare the corresponding changes in the party bylaws, but also to do some serious preliminary work on the entire front: from training and developing an adequate number of highly competent reserve personnel for all sectors of party and other administrative activities, to the psychological preparation of the personnel to assimilate the mandate principle.

To respond to the requirements of the changed objective environment, party administration of personnel processes should be restructured in its nature, forms, and ways of implementation.

Changes in the nature must lead to elevation of the political, strategic, and principle character of party leadership, and not to weakened party influence and reduced responsibility of party organs and organizations for the condition of personnel potential on all levels.

A profound quality change should take place in the specific methods, forms, and means of party leadership. It must be freed from patronization and ordering about, from subjective and single-handed decisions regarding personnel matters, to reject categorically liberalism, unscrupulousness, subjectivism, and to consider and respect wholly the opinion of the PPO, communists, and collective labor groups. In the future, party organs and organizations will make decisions on personnel issues corresponding to the order and existing job description list, but the political responsibility for their decisions is gready increased before the communists, as well as before collective labor groups. We need more glasnost, motivation, and substantiation which can be explained to everyone, including those affected by the corresponding decision. No more making personnel decisions without taking the responsibility for their consequences when they are unsuitable. This is a new type of responsibility. The entire procedure of preparation and making personnel decisions must be made democratic, and be freed from the artificially created atmosphere of secrecy.

The problems with personnel policy and work with personnel (and by the personnel) are complex, varied, and contradictory both in work theory, and most of all in actual practice. The processes of restructuring here will follow the pace of renewal of the whole party, society,

and the state, and at the same time will be their principal guiding point, guarantor, and force. Because the people, the personnel are both authors and implementors of every new beginning and every earnest endeavor for a new quality of life for society.

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#### CZECHOSLOVAKIA

Havel Skeptical About Jakes Regime 23000141 Zurich DIE WELTWOCHE in German 28 Jul 88 p 8

[Interview with Czech writer Vaclav Havel by Bandi Melabus: date and place not given: "The Attitude of the Authorities Has Remained the Same"]

[Text] Vaclav Havel, the well-known dramatist and essayist, was one of the founders of the Czechoslovak human rights movement, "Charta 77." The 52-year-old Czech is considered the intellectual spirit of the dissident movement and as the conscience of the nation in his native country.

The parallelism between Havel's statements and his own biography constitutes his special authority. After trying in vain to be admitted to the university despite his bourgeois background, Havel began working as a stage-hand in the theater. He gained international recognition in the sixties with his satirical comedies which dealt with the mechanization of man in a total bureaucracy. Following the 1968 invasion, Havel was banned from publishing and having his works performed in the CSSR. He continued to write and became one of the founders of "Charta 77." He was soon arrested, brought to trial and imprisoned for a number of years.

Havel was set free in 1983 and has been living in Prague since that time, in an apartment with a view of Hradchin Castle.

[Question] Mr. Havel, Milos Jakes, the new head of the CPCz, has been preaching perestroyka, glasnost and far-reaching reform. Is the democratic reform experiment in your country being taken up now, 20 years after the military intervention?

[Answer] The situation today is totally different in every respect from what it was during the "Prague Spring." At that time, there was an unprecedented climate of awakening. Most people were enthusiastically participating in the democratic transformation of our republic. And then there was the Soviet invasion and retribution. The play ran for about 6 months. We paid dearly for it. Even today many people are still being persecuted for taking part in the "Prague Spring." These bitter experiences reinforce the fear that history might repeat itself. The wide-ranging skepticism is completely understandable; even more so when one takes a look at our present-day "reform communists." The top functionaries who have

been asking the people for the past few months to become active and commit themselves to reform policy are the very same dogmatic men who have been throttling every attempt at reform for the past 20 years.

[Question] Does that mean that liberalization in the Soviet Union and in Hungary has had no effect whatever on Czechoslovakia?

[Answer] There has been some change recently. The political climate has become more tolerable. The majority of my compatriots is watching the spectacular events in Moscow and Budapest with interest; but people are extremely careful. Most people here in Czechoslovakia seem to be convinced that our leaders are not interested in real reform although they often speak about glasnost and perestroyka in the CSSR. But those are just words; just as Gorbachev's policies are just words and lack genuine support. In political life and cultural matters car leaders want no change whatever.

[Question] Why is it that the top functionaries are so adamant?

[Answer] Psychologically, it is quite understandable. Following the occupation, the new state and party leadership established itself as the militant champion of restoration policy in every respect. Ever since then our establishment has been leading a crusade against Dubcek's reform policies and Dubcek himself is accused of "right-wing deviationism" at every opportunity. In a word, their opposition to reform has provided the authorities with an identity for 20 years. Glasnost and genuine reforms would utterly destroy that identity. Add to that their dreadful fear of losing control of society and their powerful positions.

[Question] Has the improved climate in Prague had any effect on your personal situation?

[Answer] My situation has essentially been the same for the past 20 years. I am still banned as a writer. I am unable to publish anything in my native country. As before, my activities on behalf of the human rights movement, "Charta 77," are watched with suspicion by the police. From time to time I am interrogated; sometimes I am arrested and held for 1 or 2 days. Repression is not as severe as it was 10 years ago; but the attitudes of the authorities toward dissidents or critics of the regime have not changed.

[Question] How do so-called average citizens feel about "Charta 77?"

[Answer] Until recently we were fairly isolated because people were afraid of having any dealings with us. But those times seem to be over. Now I am virtually besieged and sometimes I have almost too many people coming to see me. Whenever that happens, I duck out of Prague so that I can get some writing done.

[Question] Do you think you are in danger of again being arrested and imprisoned for a longer period of time?

[Answer] It is hard to say. It all depends on the political situation. There are some important anniversaries coming up in the CSSR this year. I am referring to the establishment of the republic in 1918, the Munich agreement in 1938, the Communist takeover in 1948 and, of course, 21 August 1968. The authorities are aware of these anniversaries and are very nervous about them. But as for me personally, I do not think that I will be put in prison again because of my publications or my activities on behalf of "Charta 77." But if street demonstrations or disturbances were to take place, I would surely be among the first to be arrested-even if I have nothing to do with the demonstrators. Our authorities still are stupid enough to assume that there are "ringleaders" and that we "Charta 77" members are responsible for all the nonconformist impulses of society. Which is why we were regularly arrested and charged with agitation whenever a petition made the rounds, or a demonstration or public show of discontent took place.

[Question] The balance sheet of the Husak era is surely not a positive one. Just the same, the CSSR's standard of living is among the highest and its foreign debt is among the lowest in East Europe. Has the conservative leadership accomplished anything which you would view as a genuine achievement?

[Answer] I do not believe that they have conducted the right economic policies. To mollify the people and keep the peace domestically, they have systematically and ruthlessly exploited our country's future. The destruction of the environment in Bohemia has been catastrophic. What is more, we are faced with an economic crisis that is even reflected in official reports and statistics. That is why the government has announced certain economic reforms which simply must be undertaken. But the economic system cannot be changed all by itself, if the political system remains the same. Cosmetics cannot resolve the serious problems which have arisen in this country over the past 20 years.

[Question] In one of your essays you described the communist leaders as "marionettes of the system." Does that apply to Gorbachev, too?

[Answer] Of course Gorbachev has also been marked by the system but to a certain extent his personality transcends that imprint. His speeches and writings do contain new desires and new ideas which are transnational or perhaps I should say, no longer immanent in the system. But on other hand there are traces of his education by the party bureaucracy and integral components of its mentality. Gorbachev holds to the basic dogmas of Marxism-Leninism. He is totally convinced that communism represents the most highly developed social system and that the communist party has been assigned the role of vanguard in that system. Just the same, he is among the best of the children of this system.

[Question] What is your judgment of the changing of the guard in Budapest last May?

[Answer] For the first time since 1956 there was a change of leadership as a result of pressure by the rank and file, following an open debate. Reformers such as Imre Poszgay were elected to the Politburo. I hope the positive developments in Hungary and in the Soviet Union will continue and that they will result in policy changes in other East Bloc nations, e.g., Czechoslovakia.

[Question] Czech exile writer Milan Kundera, who is considered one of the most important writers of our time in the West, has said in an interview that his vocabulary does not include the words "hope" and "optimism." Dissident circles in Prague sometimes criticize Kundera. Is this a reaction to his worldwide success or does it constitute a rejection of his skepticism?

[Answer] I am genuinely delighted about the fact that my friend Milan has had so much success in the West. In the CSSR, none of his writings have been published since 1969. Nevertheless, he is known here as well and there are many who admire him. There are some differences of opinion between Milan and myself, which we debate like good friends. I do not share his a priori skeptical views concerning all civic activities which hold no promise of immediate success and which appear in his novels as an expression of the exhibitionist efforts of a handful of desperate people who wish to build a monument of themselves. It seems to me as though Kundera has become something of a prisoner of his own skepticism which makes it impossible for him to accept the fact that it sometimes makes sense to act courageously as a citizen. The dreadful fear of appearing ridiculous and pathetic is based on Kundera's disappointment over his own experience with communism. The loss of illusory enthusiasm understandbly leads to total skepticism. But this skepticism is apt to lead into a cul-de-sac and hide a more hopeful dimension of things from view. I cannot rid myself of the feeling that Kundera believes the situation inside the CSSR is still what it was 15 years ago. This view is reflected in the idea of an intellectual cemetery, the reign of forgetfulness and of history as an inexhaustible source of cruel jokes.

[Question] A new generation has grown up here since 1968. Is it part of "the hopeful dimension of things" or of the vanquished in the war which, in your eyes, the Husak regime has waged against intellectual freedom and identity?

[Answer] The new generation is made up of different groups which consist of various subcultures. All of them are strongly opposed to all ideologies and skeptical of politics. Young people have not been traumatized by the shock of Soviet occupation. For them, that is history and Dubcek is a historical personage from a distant past. The self-realization of these young people takes place outside the official world, e.g., in the independent rock or theater scene or in new religious movements which are not just

cultural spheres but also substitute for political activity. Dissatisfaction with conditions in this country finds clear expression in these subcultures.

[Question] What about manipulation, control of the media and education for political immaturity? Hasn't the regime had any success in this regard?

[Answer] Young people are certainly not influenced by the official ideology and there are no real true believers among the 1.7 million members of the CPCz either. Of course there are people in this country who think pragmatically or opportunistically and want to have a career. They need to act accordingly and publicly state their faith in Marxism-Leninism.

[Question] You have often distanced yourself from anticommunism and you are not a Christian thinker or a religious person in the conventional sense. How do you feel about the Catholic movement in Slovakia and about the spread of religion among young people in the CSSR?

[Answer] The petition which was signed by 500,000 people demanding religious freedom last April came as something of a surprise and has visibly shaken up the regime. There are several reasons for this development; one of them being the courage of Cardinal Tomasek in Bratislava. Another factor has been the thaw in the Soviet Union and the long years of work by the basis groups of the underground church throughout the CSSR. But the most important factor is the moral crisis which our country faces. The long, endless and unchangeable emptiness of socialist, consumption-oriented life in the herd and its intellectual and moral sterility has necessarily made young people turn toward bigger and higher things, forcing them to ask what the meaning of life is and to look for a genuine spiritual refuge, for something purer and more authentic.

[Question] You seem to be looking forward to the future with optimism.

[Answer] That is not entirely correct because I am not particularly fond of the word "optimism." I would rather say "hope." I view optimism as a direction of the mind, a state of mind and not as a state of the world. Hope makes no attempt at prognostication and thus is not synonymous with optimism. I am hoping that democratization in the Soviet Union will continue and that it will spread to our country sooner or later. Although there are some indications that this might happen, no one can tell when and how it will happen. It is equally possible that nothing will happen and that conditions will get worse. Therefore, I am prepared for every eventuality and would like to keep up hope as my basic, existential position at all costs, independent of political power relationships.

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#### HUNGARY

### Government Glasnost Opens Door to Debate on Bos-Nagymaros Dam

#### Pro and Contra Positions

25000237 Budapest MAGYAR NEMZET in Hungarian 16 Jul 88 p 5

[Text of an open letter from the American-Hungarian Environmental Protection Fund, received by Hungary's Presidential Council on 20 Jan 88; and text of an expert opinion by Andras Szollosi Nagy, deputy director for science at the Scientific Research Institute of Water Management, refuting the contentions of the letter. First paragraph is MAGYAR NEMZET introduction]

[Text] On Wednesday [13 Jul 88], the Ministry of Environmental Protection and Water Management invited Hungarian journalists to a press conference combined with a tour of the construction sites of the Bos [Gabcikovo]-Nagymaros system of barrages. We have reported in our Thursday [14 Jul 88] issue what we saw and heard there. At the press conferences, the journalists were handed copies of an open letter (Statement) that the American-Hungarian Environmental Protection Fund presented to the president of Hungary's Presidential Council on 20 Jan 88, and of an expert opinion (Comments on the Statement) by Andras Szollosi Nagy, deputy director for science at the Scientific Research Institute of Water Management, refuting the contentions of the letter. We are publishing the texts of both documents below. We have only one preliminary comment: Construction is proceeding, and the debate is continuing before an ever-wider audience. In the interest of the most sensible solution, we hope. And to keep our readers fully informed, we wish to advise them that Bela Liptak, a professor of Yale University and the chairman of the American-Hungarian Environmental Protection Fund. is now in our country. On Tuesday [12 Jul 88], as the guest of the Hungarian Hydrological Society, he inspected the structures that are being built on the Hungarian side of the system of barrages. On Thursday [14 Jul 88], his lecture at the headquarters of the National Association of Hungarian Journalists was heard with keen interest. And yesterday [15 Jul 88], he met with foreign journalists in the Hilton Hotel.

#### Statement

To the Presidential Council of the Hungarian People's Republic Budapest, Lajos Kossuth Square 1/9 H-1055 Hungary

Esteemed Presidential Council,

We the undersigned present the following petition to the Presidential Council:

Whereas the 54-billion-forint (one-billion-dollar) direct investment in the Bos-Nagymaros system of barrages

(hereinafter: the system) would divert capital from other sorely needed investments,

Whereas the system's direct investment could be ensured only through a further increase of Hungary's indebtedness:

Whereas the system's direct investment does not include the additional costs of environmental protection and flood control, estimated at 30 billion forints or 700 million dollars (VAROSEPITES, No. 1, 1987);

Whereas the system's construction requires, in addition to the aforementioned investments, also an Austrian loan of 7.0 billion schillings (500 million dollars);

Whereas Hungary would be repaying the Austrian loan with generated electricity over a quart-r century, making up the shortages during low water levels in winter with electricity from coal- and oil-fired power plants, so that the system, through the year 2015, would be a further drain on Hungary's power budget, instead of relieving it;

Whereas the system would supply even after the year 2015 only two percent of Hungary's power demand at that time, while the generating plant would not be capable of supplying even that much, because its machinery would have to be replaced after a quarter century of use;

Whereas the system has been designed for peak shaving, which means that the flow of water would be shut off for several hours before the peak load was reached, and this in practice would transform the Gyor-Nagymaros reach of the Danube into a slack-water pool.

Whereas Gyor, Komarom, Almasfuzito, Tatabanya, Dorog, Esztergom and 17 other communities are now dumping raw sewage into the Dangbe, and the plants for the biological and chemical treatment of this sewage are planned for completion only 15 years from now;

Whereas ten times more sewage is being discharged into the Danube from Czechoslovakia than from Hungary, and the poisonous pollutants would settle in the silt of the river that would practically become a slack-water pool;

Whereas the silt would clog, and the pollutants would poison the collector wells along the river, the main source of the population's drinking-water supply;

Whereas in the Szigetkoz [Little Schutt] the draining of the Danube would mean the loss of the supplies of drinking water from the collector wells along this 30kilometer reach of the river: Whereas transformation of the Dunakiliti storage lake into a polluted slack-water pool could poison the continuously replenished billion-cubic-meter aquifer under the Szigetkoz, the largest fresh-water source of its kind in Europe:

Whereas the deepening of the channel, due to the construction of the Nagymaros barrage, would reduce the yield of the collector wells in Budapest;

Whereas, in the absence of irrigation systems, 15,000 hectares of farmland would be in danger of becoming arid, due to the 6-meter drop of the groundwater table in the southern part of the Szigetkoz;

Whereas the construction of embankments would require clearing the floodplain forests in a 20-kilometer zone; furthermore, the timber stands on 4,000 more hectares would die out due to the drop of the groundwater table, and their replacement with drought-resistant timber species would require 30 years—all this in a country that already has a timber shortage;

Whereas the water level at Bos would be raised 18 meters above the surface, while the water level between Gonyu and Nagymaros would be above the present flood level, which means that the several hundred million cubic meters of stored water could threaten the capital itself if an earthquake, flood or act of violance caused a breach in an embankment;

Whereas the water level downstream from Bos would rise 5 meters at the start of power generation at peak load, causing a flood wave to advance toward Nagymaros, which would be a threat to navigation and to the embankments;

Whereas the system's construction would deprive Hungary not only of 30 kilometers of shoreline along a river that is also the country's border, but of the possibility of docking there as well;

Whereas the river could be made navigable for large craft by removing the shallows from the present reach of the Danube, at approximately one-third of the cost of building the system;

Whereas the planned locks would slow down navigation and lead to the discontinuation of the present service by hydrofoil craft:

Whereas the systematic storage of several million cubic meters of dredged poisonous silt at the Trans-Danubian and Nagymaros dumps would lead to storage problems;

Whereas both sewage and the water of the southern brooks would have to be pumped over the raised embankments along an 80-kilometer reach of the Danube: Whereas the dying of the floodplain forests would jeopardize the survival of the region's unique fauna;

Whereas pollution would make the Dunakiliti slackwater storage lake unsuitable for recreational use, the present resort for 20,000 persons in Pilismarot would likewise become unusable, unless a new storage lake with a filter dam were built:

Whereas even a minimal rise of the groundwater table would jeopardize the uncovering of historical finds from excavations of Esztergom's old city dating back to the founding of the Hungarian state, and at other archeological sites:

Whereas, moreover, the system would transform the Danube bend at Visegrad into a polluted industrial landscape with a slack-water pool unsuitable for bathing.

Therefore, we the undersigned respectfully request the Presidential Council to comply with the European Pailiament's resolution and launch a public debate on the system, so as to share with Hungarian society the historic responsibility for the decision.

#### Comments on the Statement

- 1) The Hungarian side's remaining share of the system's direct investment cost (after deducting the construction costs to date, and the equivalent of the future installments to be paid in electricity) is not 54 billion forints but only 20 billion. This is how much we would be able to spend on other investments. To offer some idea of the orders of magnitude involved, however, it should be noted that, in the year of construction, the system requires only one percent of Hungary's total domestic investment.
- 2) The investment will not increase the country's indebtedness, because the Austrian side is building the Nagymaros barrage for us not on credit, but as an advance against future deliveries of electricity.
- 3) The mentioned 30 billion forints are independent of the system's construction. Such development projects are necessary everywhere in the country, including the system's region. Incidentally, nearly a tenth of the system's investment cost is the cost of developing the settlements' infrastructure (roads, railroad, environmental protection and so on).
- 4) The system's direct investment cost includes the 7.0 billion schillings to be repaid in electricity, in installments. Therefore this amount is neither an increase of the investment cost nor a loan.
- 5) Admittedly, we will be paying for the construction work in electricity, but this is the most advantageous for us. Twenty years are not a quarter century. It is not true that in winter we will have to make up for shortages with electricity generated elsewhere. For our share of the

generated electricity is one and a half times as much as we will be supplying to Austria. In addition, a fifth of the supplied electricity will not be a part of the installments, but will be direct sales for hard currency.

- 6) True, the system's generating capacity is not too large. For the sake of comparison: the system's generating capacity at startup will hardly be able to supply Budapest's entire residential consumption; it will rank fifth among Hungary's power plants in terms of size; and it will be supplying between 4 and 5 percent of our fore-seeable power demand. On the other hand, replacement of the machinery after 20 years will not be necessary. According to international experience, the machinery of hydroelectric power plants runs for more than 50 years. (In our oldest hydroelectric power plant, the machinery was replaced after 90 years!)
- 7) The Bos power plant will indeed be generating power for peak shaving, which is two or three times more valuable than the power generated at normal load. But the Gyor-Nagymaros reach of the Danube will not be a slack-water pool, as there will be a constant flow even before the load curve reaches its peak. It is easy to see why: the Nagymaros barrage will be releasing water continuously.
- 8) The sewage-treatment plants of Gyor, Komarom, Esztergom, Tatabanya and Oroszlany, with mechanical and biological stages respectively, are already under construction or are being expanded. Their operation will reduce the river's pollution by an order of magnitude already by the time the system is commissioned. Namely, these are the cities that account for the bulk of the pollution from Hungary. The role of the other settlements is negligible by comparison.
- 9) The Czechoslovaks are building their sewage-treatment plants according to a program that we, 100, have been pressing for. Several dozen sewage-treatment plants will be ready by 1995, and thus the volume of pollution that will be discharged into the Danube can be expected to drop to a tenth of the present volume. It is unlikely also for this reason that pollutants will settle on the bottom of a river that will be a flowing one anyhow.
- 10) In view of the preceding points, no collector wells along the Danube will be ruined. Possible silt deposition can be removed by dredging.
- 11) There are no collector wells along the Danube in the Szigetkoz, and it will be more simple and cheaper also in future to supply drinking water from other sources. The Szigetkoz settlements will be supplied good drinking water specifically within the framework of the system's investment.
- 12) The Dunakiliti storage lake is not a slack-water pool, because its entire volume is replaced within a day or two. The size of the fresh-water aquifer under the Szigetkoz is 6 billion cubic meters, rather than 1 billion. This aquifer

cannot become poisoned—if for no other reason—because the gravel layer filters the flowing water that continuously replenishes the aquifer, in the same way as it filters the water in the wells supplying drinking water.

- 13) The Nagymaros barrage is being built on bedrock. Downstream from it, where the collector wells so important for Budapest's water supply are located, the system will not cause any changes in the Danube's flow. Hence the yield of the wells will not change, either.
- 14) The groundwater table in the Szigetkoz is not expected to drop because a system of canals is being built to substitute the water necessary for agriculture and sylviculture, and to maintain the present groundwater table. Otherwise it is a proven fact that precipitation provides most of the moisture requirement for this area's developed agriculture, and it will do so in future as well.
- 15) Most of the new embankments will be built where the present dikes are located, and here it will hardly be necessary to fell trees. On the other hand, it is true that in a 20-kilometer long narrow belt along the Old Danube it will be necessary to replace the hydrophytic timber stands with other timber species. But the water-substituting system of canals will save the overwhelming majority of the forests in the Szigetkoz.
- 16) Even in case of an earthquake, the capital would not be threatened by flood. The structures have been designed to withstand an earthquake of much greater intensity than what can reasonably be expected in the given region. Should a breach in a barrage nevertheless occur, the flood wave would come to rest in the channel and would raise the level of the Danube in Budapest to the water line of the lower quay at most. And at high water it is unnecessary to impound water.
- 17) The peak wave is a slow movement of water similar to the phenomenon of tides. Its highest rate at Komarom is less than 1 cm per minute. This poses a threat neither to navigation nor to the embankments.
- 18) It is true that the 30-kilometer main arm of the Danube in the Szigetkoz will be regularly navigable only by shallow-draft vessels. But there is no developed river port on this reach at present, nor is one necessary. And the national boundary will continue to run along the centerline of the Old Danube's channel.
- 19) The removal of shallows from the present reach of the Danube could ensure safe navigation for large craft only if this were followed by costly, continuous dredging. This would raise a series of ecological problems. It would not improve flood control, which would have to be solved separately, at additional cost. Nor would we gain hydroelectric power. The seeming inexpensiveness, in other words, would be very expensive indeed.

- 20) True, lockage does take time. But the vessels will save many times the 15 to 20 minutes they now spend per lock, once the present navigation restrictions are lifted and delays because of low water are eliminated. The travel time of only the hydrofoil craft will be longer, but the locks will not render their operation impossible.
- 21) If sewage is treated, no polluted silt will form (see also points 8 and 9). And the dredged sediment stored in the dumps can be used by agriculture for soil improvement.
- 22) Only two brooks at Esztergom will require pumping over the raised embankments. All the other streams will flow naturally into the Danube.
- 23) The fauna of the region is not unique. The species living there can be found in many other places in Hungary and also abroad. Incidentally, most of the floodplain forests will remain unchanged (see point 14), and thus the region's fauna is not endangered.
- 24) The Dunakiliti storage lake has not been built for recreation, but it can be used for that purpose as well. It is not a slack-water pool (see point 12). If the 20,000 figure were correct, that would mean 63 persons for each of the Pilismarot resort's 317 vacation homes. Incidentally, these vacation homes are built in the river's flood plain, mostly where they should not have been built for technical reasons. To replace them, a new resort area is being designated, on filled-up land where there already are public utilities.
- 25) Archeological excavations are in progress in Esztergem and along the entire reach of the Danube. The National Museum has been allotted substantially more money so that the explorations, which have been going on for a long time, may be completed before the commissioning of the [Nagymaros] barrage.
- 26) A competition has been announced for a design of the Nagymaros barrage that will fit into the landscape. The structure will resemble a bridge and will also serve as one. Lakes and parks will be created on the bank of the Danube that up to now has been flooded repeatedly. The power and other lines will be placed underground. No pollution whatsoever can come from the hydroelectric power plant.

Environmentalist Liptak Interviewed 25000237 Budapest HETI VILAGGAZDASAG in Hungarian 16 Jul 88 pp 52-53

[Interview with Bela Liptak, by Richard Hirschler: "Caution, Barrage!"; during Liptak's Jul 88 visit to Hungary; place of interview not given. First paragraph is HVG introduction]

[Text] Bela Liptak, chairman of the American-Hungarian Environmental Protection Fund, is one of the leaders of the international movement who is supporting Hungarian environmentalists in their fight against the system of Danube barrages. He went abroad in 1956 as a third-year student of the Technical University and is now living in the United States. The technical sciences have always been his field of interest. He opened his own engineering consultancy in 1975 and, for the past two years, has been teaching process control at Yale University's School of Mechanical Engineering. Bela Liptak has been visiting Hungary since last week, and on this occasion he granted us the following interview.

HVG: You are teaching at Yale University and also have your own engineering consultancy. How have you been able to find time for the task of stopping the construction of the Bos-Nagymaros system of Danube barrages, with all the extra work, organizational effort and nervous tension this task involves?

B.L.: The way this topic came to my attention is that somebody at the Hungarian Academy of Sciences noticed my name as the editor of a three-volume textbook for environmental engineers, published in the United States in 1975. That person felt that there was not much more the Hungarian Academy could do in the matter of the barrages. In February 1983, a committee of the Academy (its members were Sandor Szalai, Peter Hanak and Istvan Lang, among others) had written in vain a critical report advising modification of the Hungarian-Czechoslovak agreement that called for the construction of the barrages, and objecting to the fact that not even the wider scientific community, let alone the public, had been given an opportunity to become acquainted with the details of the investment project, and to consider and debate its foreseeable environmental impact, before the agreement was signed. During the past three years, I kept gathering information. For a long time, however, I was unable to make up my mind whether to get meaningfully involved in this cause. But I came to a decision at the beginning of 1987. I felt that it was my moral duty to do everything I could.

HVG: Actually what can motivate an American scientist and entrepreneur, albeit of Hungarian extraction, to spare no money and trouble in his efforts to block the construction of the power plant?

B.L.: To put it briefly: the Danube, respectively the protection of the environment. This motive has very many projections. But I want to emphasize that I regard as most horrifying the prospects of losing the sources of drinking-water supply, and of the danger of floods due to a breach in the embankments. It is common knowledge that an artificial lake, 20 kilometers long and 62,000 square kilometers in area, is to be formed in the vicinity of Dunakiliti, and that under this storage lake there is a gravel layer several hundred meters thick, the largest aquifer in Europe still untapped, containing 10 to 12 billion cubic meters of pure drinking water. The pollutants seeping into this aquifer would jeopardize the drinking-water supply of several million people.

Along the Old Danube's channel between Dunakiliti and Szap, a distance of 30 kilometers, only a fraction of the present yield would trickle into the collector wells; in other words, this local source of water supply would be lost. But the wells downstream would also be affected, because the Danube's flow would slow down, which would be conducive to the deposition of pollutants. It is almost certain that the proposed sewage-treatment plants will not be ready by 1992, when the power plant is to be commissioned. Without the construction of these sewage-treatment plants, the sources of drinking-water supply could be ruined. Most of the sediment would settle between Bos and Nagymaros, mixed with the industrial and municipal sewage discharged from the tributaries and sewers. Three million cubic meters of poisonous sediment a year would be deposited in the Dunakiliti large storage lake. This sediment would have to be dredged and placed somewhere.

In my opinion, the danger of floods is also serious. The diversion canal between the Dunakiliti storage lake and the Bos hydroelectric power plant, 20 kilometers long, is a huge concrete through that is rising gradually from the ground, and near the power plant the embankments are already towering 18 meters above the villages. During peak power loads, the water would rush from here in the same way as when a toilet is flushed. This peak-shaving power plant is a Stalinist nightmare. What will happen if there is an earthquake? How great a tragedy could result if something happened to the embankment? Academician Sandor Szalai, who opposed the system of barrages to the very end of his days, is alleged to have cried out even on his deathbed: "They must not do it! Catastrophe!" When the impounded water is released, a flood wave 4 or 5 meters high would start along the Danube, and in the tributaries—the Raba and the Moson arm of the Danube-the flow would be reversed. The flood wave would be a threat to the embankments and to navigation, and it would churn up the poisonous silt.

HVG: All this sounds convincing to a layman, but do you have detailed computations to support your contention that economic considerations do not warrant the power plant's construction, either?

B.L.: According to our estimates, the complete investment—including, in other words, the costs of environmental protection and also debt servicing—would absorb 110 billion forints, at current prices, as Hungary's share. And how much additional electric power would be gained? Actually next to nothing until the year 2015, because Hungary would have to supply electricity to Czechoslovakia and Austria, as payment for their work on the investment project. But even after the year 2015, in my opinion, Bos-Nagymaros would be able to supply merely 2 to 2.5 percent of Hungary's electric power consumption!

HVG: Why have such environmentalist organizations as Greenpeace and the World Wildlife Fund joined the Hungarian Environmental Protection Fund?

B.L.: The Danube Coalition, with 220 participating organizations representing nearly three million members, was formed about 18 months ago. The Hungarian Environmental Protection Fund is participating in this coalition. Our objective is to save the Danube. Among other things, to gain recognition of the fact that the Danube's unique ecological system belongs to mankind jointly, and therefore no private enterprise, bank or government official has the right to endanger it. If the Hainburg-Csallokoz [Great Schutt]-Szigetkoz unique natural unit is broken up, irreplacable flora and fauna would disappear forever. But the Esztergom historical relics dating back to the founding of the Hungarian state. respectively the 40 Roman fortification with their as yet uncovered archeological finds, are likewise mankind's common treasure. The groundwater table's rise at Nagymaros would place all this in jeopardy. And I think everyone in the world would be affected if the picturesque Danube bend were to be transformed into an industrial landscape.

HVG: With what can you counter the argument that it is too late to have second thoughts, because the Bos power plant is almost ready, and construction work in Nagymaros is too far advanced?

B.L. These statements, I think, are grossly exaggerated. Bos is about 50 percent ready, but mainly the less technology-intensive work has been completed so far: the sand, gravel and earthwork, and the construction of the diversion canal. But practically nothing has been done as yet in Nagymaros. Preparations are underway and, it seems, the pouring of the first concrete can be expected by the end of the year. Construction cannot start until the Danube has been diverted and its bed has dried out. Even the lay public will find this understandable. In all, Hungary spent about 10 or 11 billion forints on the system of barrages in 1986 and 1987, mainly at Dunakiliti. Regardless of what basis we use to calculate the investment cost, this is anyhow only an insignificant fraction of the total cost. Thus there is still time to cancel the work in Nagymaros.

HVG: I understand that you will be spending a whole day at the investment site as the guest of the Hungarian Hydrological Society, and that you will be meeting with Ivan T. Berend, the president of the Hungarian Academy of Sciences. On Thursday morning, the day our journal comes out, you will be lecturing to journalists at the Headquarters of the National Association of Hungarian Journalists. And Thursday evening you will be lecturing to the general public, in the Jurta Theater.

B.L. I look forward to these opportunities. I wish to emphasize before every forum that, in the matter of the barrage, Hungarian society ought to have the final say, specifically in a referendum. This of course would require that the environmentalists also be allowed to voice their views on this issue, and to present their arguments to the people. Although I do not feel authorized to offer a concrete solution, permit me nevertheless to outline an idea. In the coming weeks it might be

worthwhile to schedule at least one hour a week of TV time, during which Karoly Perczel, Laszlo Solvom and Janos Vargha would have an opportunity to expound their views and to explain why they oppose building the system of barrages. Only in this way can society form a real opinion and become acquainted with both sides of the coin. In the process of enlightening the public I regard as important the Budapest conference proposed by the International Rivers Network, an environmentalist movement that has supporters in 40 countries. According to the plans, this conference is to be held even before the Hungarian Conference convenes for its September session. Together with many environmentalists-be they living in Hungary or abroad, and be they Hungarians or non-Hungarians-I too believe that construction of the Bos-Nagymaros project ought to be suspended effective immediately, at least until society has had its final say. This would unambiguously demonstrate the Hungarian government's commitment to change, would strengthen society's trust in government. and would coincide with the processes taking place also in the Soviet Union. And last but not least, this would also conform to the spirit of the Hungarian Constitution. For Section 30, Paragraph 1, Item b, of the Constitution states that the Presidential Council of the Hungarian People's Republic "may order a referendum on any question of national importance."

HVG: When you were being interviewed on Hungarian Radio recently, it emerged that the Danube Coalition has held out the prospects of countermeasures if construction continues. By what possible means could a foreign nongovernmental organization influence the Hungarian government?

B.L. The Danube Coalition will meet on 10 September to decide about implementing our action program that was formulated a year ago. We have considered a tourist boycott of Hungary and Austria, and asking the banks that have provided loans for Hungary to boycott future loan applications from Hungary. A worldwide demonstration demanding the Bos-Nagymaros project's cancellation is being organized for the 30th of October, before every Hungarian legation and embassy in the world. I must say that in Washington last week, on behalf of the Danube Coalition, I visited the American State Department, the International Monetary Fund, and the World Bank, to find out whether they would receive me. They not only received me, but at the IMF I was able to talk to the person responsible for drafting the IMF report on the state of Hungary's energy policy. I sincerely hope that this senseless investment project, which demands great sacrifices while posing the threat of unforeseeable consequences, will be taken off the agenda once and for all. But let the Hungarian people make this decision.

#### **Editorial Views Both Sides**

25000237 Budapest MAGYAR HIRLAP in Hungarian 19 Jul 88 p 3

[Editorial by Andras Banki: "The Barrage Controversy"]

[Text] In a TV interview, the director general of the Hungarian Public Opinion Research Institute likened

public information about the Bos-Nagymaros system of barrages to the proverbial veterinarian's horse (which had every disease imaginable]. This commentator, who as an official communicator has been sailing between the Scylla and Charybdis of investment for the past three years, finds the comparison very apt. The events of recent weeks and days, rather than the fashionable compulsion to engage in one-upmanship, lead him to term the situation that has evolved in conjunction with the barrage an acute disorder of openness, of the system that mediates between the power structure and society. It is a paradox that this becomes evident just when information both for and against the most monumental domestic investment project of the decade becomes more extensive and more thorough than ever before. The way this reaches the general public, the targets of mass communication, is that, on the one hand, the experts interested or involved in the investment project are definitely claiming that the investment is necessary and a good thing, and that it would be a crime—nay, impossible-to cancel the project. On the other hand, selforganizing groups of Hungarians at home and abroad are proclaiming with desparate determination that this investment project is unnecessary, a catastrophe, and ought to be cancelled; they are demanding a wide public debate, an investigation by impartial experts and, in the final outcome, the holding of a referendum.

But let us examine also the arguments. In our Saturday [16 Jul 88] issue we published the arguments of the two sides: (1) The open letter that the American-Hungarian Environmental Protection Fund, a supporter of the investment project's domestic opponents, sent the Presidential Council; over 200 Hungarian organizations in the West also signed the letter, and thus it may be regarded as the protesters' platform. And (2) an expert opinion that argues in favor of the investment project and refutes the open letter's 26 arguments against the project. Well, a comparison of the two documents has reinforced this writer's feeling that the two sides do not seem to speak the same language, or at least about the same subject. The cost estimates differ by an order of magnitude; the technical parameters do not agree; the views regarding the foreseeable ecological processes are diametrically opposed; and, as can be expected after all this, the conclusions are conflicting. Upon seeing such divergence, one is forced to think that somebody here is seriously mistaken, to such an extent that this is no longer a mistake but something else.

Yet both sides are striving continually to develop a common language, a prerequisite for one kind of reconciliation of views and narrowing of differences. As one episode in these efforts, Bela Liptak, a professor of Yale University and chairman of the American-Hungarian Environmental Protection Fund, met last Tuesday with the Hungarian experts directing the investment project and toured with them the project's construction sites in Hungary. Well, to use the language of diplomacy, the differences between the standpoints of the two sides were not narrowed. In an interview on TV, the guest said that a meaningful dialogue was not possible in the nervous

atmosphere. But the water-management experts told this writer that they were shocked by the professor's ignorance; and whenever they started to answer some question, they immediately encountered rejection: "That is of no interest." Although both sides spoke Hungarian, they failed to find a common language. And the Hungarian Environmental Protection Fund is preparing further protest actions: at international banks and before Hungarian embassies and legations.

This commentator does not dispute the right to protest. although he has reservations regarding some of the methods. Just as he had and has reservations about certain methods of (non)information policy, with which the public was long excluded from the debates accompanying the planning and construction of the Bos-Nagymaros system of barrages, and information was limited to a one-way street through the ban on disclosing the professional doubts and contrasting opinions. The series of blunders in informing the public are now backfiring. The professional community does not accept the arguments supporting the investment project, and even laymen are more inclined to believe the doubts and the arguments against the project. The public reasons that something must be wrong here, because attempts have been made to conceal something from it. There have been enough unsuccessful large investment projects in this country to let mystification of this kind reinforce the doubts and intensify the dislike.

This commentator, too, is a laymen when it comes to barrages. The last thing he wants to do, therefore, is to decide this dispute. But he feels sufficiently knowledgeable not to regard the barrage's designers and builders as irresponsible scoundrels. (For that is what he would have to do if he were to accept the 26 points of arguments against the project.) In his opinion, the hazards can be averted or reduced to a minimum if every technical solution for this investment project is really subjected to ecological criteria, and if all the planned facilities for protecting the environment are completed on schedule. He became convinced of this in the course of a lengthy conversation with a scientist of great renown. That was when this commentator learned that, because of the paucity of money, the Hungarian government's interest in the early 1980's was to modify the international agreement, and to cancel the project or postpone it for a long time. And when the government commissioned the Academy of Sciences to prepare a comprehensive environmental impact study, it was intended to help the government pursue this interest, provided the study came up with arguments on which the modification of the agreement could be based. But the environmental impact study was unable to present conclusive arguments against the investment project that an impartial international committee of experts would have found acceptable.

The agreement was modified—the completion date was extended by four years—and we ran out of arguments that could have served as grounds for cancellation. There

remained the paucity of money, and then came the Austrian loan offer. Conveying the opinion of some leading economic experts, we might add that if the decision regarding this investment project were to be taken today, we would not undertake it. But the water-management experts involved in this investment project argue that, sooner or later, it would have to be built anyhow. That is what the requirements of navigation, flood control, and better water quality are urging. And these necessary investments become economically tolerable specifically because they include also hydroelectric power plants. Multiple use is the practice in other countries as well, the experts claim.

Characterizing the past, one of the water-management experts at the press conference on Wednesday mentioned gags. Fortunately, times have changed since then. The self-organizing environmentalist movement is gaining strength in Hungary, openness is unfolding, and the channels of communication are increasing. A meaningful dialogue is possible with the participation of every interested person, in the spirit of finding the most sensible solution. In September, after gathering information at the construction sites, the deputies of the National Assembly will hear a report on the system of barrages and will decide how to proceed. But only time will tell what the barrage will symbolize if it is built. Not "a monster of Stalinist gigantomania," we hope.

New Institute To Legitimize Decisions 25000237 Budapest MAGYAR HIRLAP in Hungarian 9 Jul 88 p 5

[Interview with sociologist Tamas Szecsko, director general of the Hungarian Public Opinion Research Institute, by Eva V. Balint: "Public Opinion and Policies"; date and place of interview not given. First paragraph is MAGYAR HIRLAP introduction]

[Text] As announced recently, the government has established the Hungarian Public Opinion Research Institute (MKI), which replaces the Mass Communications Research Center. We interviewed sociologist Tamas Szecsko, the institute's director general, about the tasks and status of public opinion research, and the institute's reorganization.

[Question] Are the public opinion surveys intended primarily to assess the impact of government decisions, or will you be conducting surveys to prepare government decisions?

[Answer] Both. Up to now we have been conducting primarily so-called retrospective surveys. But now our decision-making mechanism and political system have developed in such a way that it is possible to know in advance of a decision what topics this or that government body will be considering. Moreover, alternative solutions will also be made public. If the citizen learns

even before a decision is made what it will be about, and if he knows also the alternatives, then a natural communication process can start within society.

[Question] You people have been conducting public opinion surveys for nearly two decades. In your experience, are we Hungarians willing to answer your questions? And if so, are the answers genuine or merely polite?

[Answer] In the 1960's, people disliked the polltakers very much, and the proportion of would-be respondents who refused to answer questions was very high. Today this proportion is about 2 or 3 percent. The same as in the United States, England, or Belgium. From time to time we also ask the respondents how willing they are to be questioned, and whether they find the surveys meaningful. In our experience, people are glad to see that their opinion is taken into account in the course of adopting policy decisions. How genuine are the answers? The answers to questions about the respondents' everyday living conditions are genuine. In other words, what we get is not what the mass media have fed them. But on subjects where a person's everyday experience cannot serve as a guide, we get back what the respondents have been able to learn from the mass media.

[Question] How will you make public, if at all, the results of the surveys?

[Answer] In this respect I expect the most from the establishment of the MKI, respectively from the new political atmosphere. After all, utilization of the data by society will be complete only if the respondents also see for themselves what answers have been obtained from a representative sample; i.e., what the public is thinking. This of course has its limits. It is true everywhere in the world that whoever commissions a survey, and pays for it, has the right to decide how the data will be used. If this person or organization decides to publish the data, then they will be made public. Otherwise the data will remain in a desk drawer. But public opinion research also has an important political function, namely legitimization. Publication of a public opinion survey's data legitimizes a policy decision even if public opinion does not lean toward the decision's direction. The very fact that policymakers are able to show that they conducted a survey of public opinion on a given issue, and took the opposing views into account when making the decision (even though other reasons prevented them from deciding differently) is a gesture that lends the decision very strong political legitimacy.

[Question] Are you planning to conduct or have you already conducted a public opinion survey on the question of the Bos-Nagymaros system of barrages?

[Answer] No. The Bos-Nagymaros syndrome is information policy's proverbial veterinarian's horse. The convulsions within society would be much milder had we published the contrasting opinions from the very beginning. And if we had investigated, and provided feedback on, how public opinion was shaping. Then the matter of the [Nagymaros] barrage would not have caused an uproar, but would have been accepted by public opinion as a rational problem.

[Question] You just said that whoever pays for a survey has control over the survey's results. Who will be commissioning your surveys?

[Answer] In view of the fact that the MKI is a government institute under the supervision of a minister without porfolio, we will be conducting surveys primarily for government agencies. But certain departments of the Central Committee will remain our customers. And since public opinion surveys are only one branch of our activity, and surveys of the mass media remain the other branch, we expect Hungarian Radio, Hungarian Television and, hopefully, also the print media to be our customers.

[Question] Are you permitted to conduct surveys commissioned by private individuals, respectively by organizations that are not legal entities?

[Answer] Nothing prohibits this. But the costs of a survey are so high that private individuals can hardly afford a survey. And since we are not a self-financing institute with a profit incentive, we pick and choose among outside commissions according to whether they are of scientific interest. But I think that perfection of the electoral system will necessarily lead to where a candidate for the National Assembly, who is running against several other candidates, will not only need publicity but will also have to know what his prospective constituents think of his platform. I have gathered from discussions with deputies of the National Assembly that there will be a demand for public opinion surveys of this kind, already in the not too distant future. I wish to note, however, it is not at all certain that the conducting of such surveys will necessarily be the MKI's task. They could be conducted also by university departments or regional cen-

[Question] Have you ever measured the so-called popularity index of politicians in Hungary? If yes, what were the results?

[Answer] We have conducted such surveys recently. Althoug certain shifts are perceptible from month to month, the data show that the three most popular politicians in Hungary are Karoly Grosz, Imre Pozsgay and Janos Berecz. But what surprised me the most was the high popularity index of a politician who has had relatively little public exposure recently, and whose name is associated with a series of rather unpopular measures—the introduction of the Tax Law. I have Peter Medgyessy in mind.

[Question] How quickly are you able to complete a survey?

[Answer] Naturally, this depends on the subject of the survey. But it has happened repeatedly that the event to be surveyed occured in the afternoon, and by next morning we had reliable data available. We are able to survey our Budapest sample by phone or personally. After all, our institute has been conducting surveys for nearly two decades. Our human capital, I would think, will be sufficient to perform our tasks honestly and professionally. It is another matter that we must clearly separate our theoretical research from the rapid supply of data. The theoretical research in which our institute has been engaged for a good many years must be continued, because no one else will do it for us.

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### Nyers on Need To Reject Stalinist Past, Move to Untested Future 25000227 Budapest NEPSZABADSAG in Hungarian

25000227 Budapest NEPSZABADSAG in Hungarian 9 Jul 88 p 7

[Interview with Rezso Nyers, Politburo member, by Laszlo Rozsa: "About the Past, the Present and the Future"; date and place of interview not given]

[Text] [Question] In May, you again became a member of the Politburo but you are not a member of the government. In the Political Committee where you had participated earlier, you played a very prominent role. Today, however, the extent of your tasks and responsibilities is not precisely apparent. Was it your decision to be left out of the government at this time or was there no call for participation?

[Answer] Neither did I wish to join the government nor was there a request which I would have had to refuse. It has already become clear in the course of earlier political discussions that I do not picture my own role as the head of an office. I believe that younger people must be appointed to such tasks. On the other hand, my experiences can be usefully applied in the workshops of political preparation and I am ready to actively participate in them. The same is true with respect to my participation in policy decisions of the party. True, these are collective decisions, but management will not be without the individual profiles in the future. I shall thus have a chance to elaborate on my personal opinions and ideas. I also want to continue my work as consultant to the government, something I was requested to do earlier. Incidentally, I do not believe that only by being head of an office can someone have a valuable role in political life.

[Question] With respect to you, is it not also the case that, because reform in Hungary was associated with your name and also initiative, many view it as a political insurance that you should actively participate in the management of the party and work of the government?

[Answer] Well, even if individuals have such role as to provide some sort of insurance by their presence, they cannot furnish a complete guarantee. I am aware of this and of my own responsibility, which must be satisfied in such a manner that the current reform should not be a simple continuation of the earlier process but should now proceed toward a more realistic future and with broader perspectives. The contradiction is, however, that there is much to do, from the economic and social points of view, but the possibility for action is limited to two-three years. This has an effect on the political situation and poses difficulties in the work of all of us.

[Question] In the current Central Committee and Political Committee there no longer is anyone who came from among the leadership of the former Social Democratic Party. In this context, I should like to raise a question. In one of your statements you mentioned that "whoever chooses a future, must also choose a past." That is, he must associate himself with one or another of the past movements. Which past do you associate yourself with in this choice of the future?

[Answer] With respect to the past, I associate myself with the revolutionary movement of the Social Democratic Party which set socialism as its final goal. If it must be characterized by names, then the early period in the life of the German social democrat, Karl Kautsky, is also included. But I no longer adhere to the conceptions professed by Kautsky in the 1920's and 1930's. On the other hand, I do to those of the Austro-Marxists, for example Otto Bauer and Max Adler. I could definitely mention Zsigmond Kunfi and Vilmos Bohm from the social democrat emigration, and two names, Illes Monus and Arpad Szakasits from the domestic social democracy. From the communist movement, I feel profoundly associated with the line from the distant past which can be stamped with the names of Jeno Landler, Gyorgy Lukacs as well as Jozsef Revai, which later grew broader and more profound, and became a new conception through the popular front policy at the Seventh Comintern Congress. Regrettably, this could not change the policy of defense against fascism into a truly popularfront domestic policy in the later period although a sketch of it appeared in the communist party policy between 1945 and 1947 through a drafting of the popular democratic path, but it failed to evolve and also did not become completely clear. Namely, that we should approach the socialist transformation through a democratic phase, adapting to the characteristics of East-Central Europe, rather than copy the Soviet path which-at the time we rather just sensed it-does not present the possibility for direct transplantation to here, into Central Europe. But we also could not yet evaluate to what extent even the Soviet Union itself had its severe problems related to its own development, and what mistakes lined its path.

Briefly, if you ask what path I choose, my response is that I choose the path of a revolution-minded social democracy and reform-minded communism which—I have

always felt—must progress toward a revolutionary synthesis, which, today, I could call reform communism.

However, if you ask what I select from the past, then I must also answer the question of what I reject. I reject the ideology and policy of the Third Internationale in the thirties, I reject the policy of the so-called Cominform (Information Bureau of the Communist Parties) in the 1940's and 1950's which revived the erroneous idea of the struggle of class against class and essentially discarded the popular-front policy; it discarded democracy within the party, the concept of a national adaptation of the revolution, it discarded the democratic path. Thus, these fifties must also be discarded. Hence, I do not say that socialism was also being built during these years and, therefore, I must accept them. I do not accept them! Because, if I accept the 1950's, I would also have to accept that what carried the country toward bankruptcy.

[Question] In the fifties, air of us, who were engaged in politics then, participated. Obviously, the point is the rejection of the political line and political practice. And not of the great efforts which were undoubtedly made.

[Answer] I feel that this distinction is pettifoggery. I am in complete agreement with Gyorgy Lukacs—although I did not accept his opinion for a long time—and when the past must be selected, I think in a Lukacsian spirit: I do not accept the Stalinist past, and I do not make apologies for it by saying that the communist masses had good intentions, because it was not the masses who made democratic decisions.

[Question] You are obviously aware that, in addition to your viewpoint, there are also other shades of viewpoints in the party. Thus, your viewpoint is an ideological-political break without dispensation?

[Answer] Yes, a political and ideological break without dispensation. Because, if this is not done consistently by the Hungarian Socialist Workers' Party, and is not done on a global scale by the communist parties, then they cannot really change the situation as it must be changed.

[Question] I am inquiring about the distant past, Comrade Nyers, also because in the public opinion of the Hungarian party, but I could say, also in the public opinion of the cultured Hungarian society interested in politics, there are extremely wide gaps with respect to the names listed by you, their significance and the associated events. I think that there still is an enormous deot here and also things to be clarified. Therefore, to approach matters more closely: if today we try to correctly formulate our relationship with the social democratic and non-revolutionary socialist movements, in those vicissitudinous relations which existed between them and the communists, then what else must be reevaluated? A long time ago we maintained that the balance is unequivocally in our favor, history will prove us right. What kind of a balance can be drawn today?

[Answer] Well, history justifies Marx, with respect to the communist and social democratic movements of Marxism, in my opinion, cannot be said that either would be unequivocally justified by history as opposed to the other. I believe that, in this controversy, truths and errors existed on both sides. I have always interpreted the Leninist b eak, the communist split from the social democratic movement, as a truly revolutionary socialist behavior. Thus, the historical question then was whether the socialist revolution can be achieved and would be achieved by the people of the period or else they should further foment the resistance within the bourgeois society, awaiting a more advantageous situation.

I concur with the Leninist break, with the idea of not awaiting a further ripening of society but breaking the chain of capitalism. I believe that this, as an aspiration, justified itself. Associated trends, however,—let us just recall the beginnings of the Leninist trend, the idea of proceeding further, with a communal system of production and comsumption, on the road of modernization and socialist building—failed to justify themselves. Very soon, it has become clear about the initial communist conception that it also has a part which cannot be realized. This was not Marx's fault but the error of Lenin and his coworkers in evaluating the possibilities. And Lenin and the Leninist guard were capable of recognizing this in time and searching for new ways.

[Question] Here you are obviously referring to the NEP [New Economic Policy]. That was not simply a question of necessity but an ideological break away from a directionage to communist formations although meanwhile later, this appeared in Stalin's concept as merely a tactical break.

[Answer] It can be firmly deduced from the last writings of Lenin that this was not a tactical break but Lenin realized what we realize today that, in a transitory society, in the historical phase of socialism, a communistic-type economy cannot be established. And now, in the 1980's, we came to the practical assertion that this was a mistake. Another mistake was the evaluation of the role of the state. This is no longer the error of the Leninist period, but of the Stalinist period, when the state was viewed not as a separate organization but a commune embracing the whole population. This had a bearing upon the underestimation of the market's role and the overestimation of the responsiveness of society to central guidance, it had a bearing upon the denial, within the party, of the need for separate opinions and discussions thereby also liquidating democracy. On the other hand, democracy within the party and the recognition that political democracy has a value to society were justified in social democracy. At the same time, a historical success of social democracy was only apparent insofar as, wherever it came to power, it improved the situation of the masses, but it could not get near to the idea of a new social formation and even less its practice.

[Question] In your opinion, what does the future hold for socialism? During the past decade, the most diverse signs of crisis conditions appeared in the socialist countries, in some of them they intensified. At the same time, in Hungary, China, and the Soviet Union, we also observe the process of a deep ideological and practical rethinking of socialism. In your opinion, which process is the stronger and more determinant? The crisis, the signs and symptoms of which have already been more-or-less explored, or the possibility of a complete renewal which is implied in these crises?

[Answer] As I see it, a complete rethinking and renewal always feed on crisis, consequently, the two are inseparable. When a country initiates reform, crisis definitely dominates, and even then the transformation of social development can be started only in the midst of certain disturbances. Nearly every reform will first give the impression of disorder as opposed to order. Therefore, it also confuses many people because there are also people with socially responsible thinking who, contrasting the disorder of the initial reform with the order of the pre-reform conditions, will rather stand by the order. And if this disorder exceeds certain limits, increasingly broad masses demand order. It is a great test of reform policy to what extent it is able to limit this disorder to a short time and transform it later into an organized, orderly reform policy, initiating development on different tracks. Such disorder appears in the economy, in the world of awareness, and in the world of values alike. We need not be afraid of the crisis itself, as such, it becomes dangerous only if the forces and recognitions of the change fail to get organized within it. Crisis is outright a condition for creating new social insights, that things must be done differently.

[Question] But let us return to the Hungarian reality. Somewhere you spoke about our being witnesses to the formation of a new political middle-layer in Hungarian society. What did you refer to; more precisely: what kind of political or sociological reorganization is it that is taking place in our country today and what will be its consequences with respect to the leadership? And the next question also follows: in your opinion, what kind of alliance must and can be established today?

Answer] I view this middle-layer as a new formation compared with the middle-layer of the old Hungarian society. For example, among the Hungarian intellectuals there evolved a cultured, world-travelled and highly paid intelligentsia with socialist consciousness but approaching the living standards of the Western lower-middle class. As a continuation of a previous branch of the bourgeoise, there is a rather spectacular expansion in a small-entrepreneurial sector. I believe that the small-businessman sector has a very mixed complexion. Starting with laborers, through the lower-middle class, to farmers, many can be found here and there is much turmoil. But from this turmoil, where new enterprises and bankruptices alternate, there will finally evolve a lasting middle-layer which again approaches the living

standard and the earnings level of the West-European lower middle class and to a certain degree also its way of thinking. Because this stratum—in contrast to the intellectual formation that I discussed before and which has a rather high degree of community awareness and sense of responsibility—thinks much less in terms of communal fulfillment and much more in terms of practicality. Furthermore, this middle-level will also include a highly qualified stratum of workers, farmers and employees which represents a noticeably higher level both with respect to income and thinking than the average of those living on wages and salaries. Thus, I would call this the formation of the new type of middle-class status. All this together will finally mean that the process of middle class formation disrupted earlier, which is continued alongside and in the framework of socialist ownership conditions and socialist state policy, is accomplished and such a unique middle class is formed within socialism which fundamentally differs from the previous middle class which was transfused with strongly feudal remnants.

[Question] Even if it is so, I think it is impossible not to hear the concerns. They voice that, while today considerably more attention is focussed on the problems of the middle strata, while their importance is also increasing in the formation of political-social awareness, at the same time, part of the worker class is getting poorer, becomes declassed, and receives much less attention from those whose name is otherwise associated with the reform.

[Answer] I would not say that less attention is paid by them. The fact is, that for the moment, they cannot solve the problem. These are two different things. According to my observation—it is generally known that I move among the reformers—those who promote reform see that certain worker strata are squeezed to the periphery but they simply don't know what to do with the stratum, for example, which we call labile which, under disordered family conditions, often with hard physical labor, sometimes again with little physical labor, actually has a low standard of living and does without the level and amount of culture that can be expected today. This is the sector with lower skills, in general. However, there are some even among them who emerge from this layer because often they earn good money, but the problem does exist on a massive scale. Truly, even the worker class itself cannot be considered uniform in the old sense, or evaluated merely in terms of the relationship with the means of production. Namely, the labile unskilled worker and the trained worker with high earnings have an identical relationship with the means of production but the latter may already have a car and maybe a summer cottage. But for the time being we do not have a workable answer to the problems not only of this stratum of laborers but also of other strata who land at the periphery of society. Therefore I acknowledge that even the reformers cannot propose a prepared program in this context but I refute that they don't even see the severity of the problem.

[Question] I intentionally did not start with questions involving economic policy, where you often voice your opinion. But now it is unavoidable that I ask you about your opinion of today's restrictive phase. Will we be able to get out of the magic circle of curtailments, restrictions and reductions or will we get into a negative spiral where, contrary to our intentions, the curtailments and reductions in income level, credit policy and investments will make the depression more profound both in the economic and psychological sense?

[Answer] I hope that we will be able to get out of it. It depends on whether we will be able to radically limit and later freeze the sources of loss, and, in the economy, to consistently assert market prices and the price mechanism. Namely, without market prices, it is very dangerous to liberate the energy sources and the money economy, and it can lead to inflation or general shortages.

It is my opinion that, drafted at the parliamentary session in September last year, within the program for stabilization and development, the idea of selective restriction aimed at having no restrictions on good enterprises but imposing them on the poor ones, was not an improper move. One has to conclude, however, that it did not materialize. The critical analyses show that those are right who maintain that the restrictions are inversely selective, that is, they strike precisely the good enterprises. I believe that this inverse selectivity of restriction must be transformed into the original, positive selection.

[Question] Are we indeed breaking away from shortrange thinking which afflicts us in several aspects? For example, that for the past one and a half decades, we have talked nearly every day about changing the economic structure. We are in it now but it is less clear what do we want to change into what. We are expecting transitory unemployment, but the protective social net is not yet available which would make such an unemployment bearable without rather massive social upheavals. We have talked for a long time about changes in and modernization of the technological and product structure but we still don't have the general and specialist educational training system which would respond to such a need and demand. Don't such matters also contribute to the fact that, even today, matters in transformation are proceeding slowly, reluctantly and in an ambiguous fashion?

[Answer] I unconditionally acknowledge the problem. I also acknowledge that there is no adequate long-range preparation in the development of the social infrastructure through which we could promote this process. I believe that there is a relationship between processes on the scale of the state and of society, on the one hand, and microprocesses, on the other hand; therefore, I feel that, in the economic context, in the absence of long-range strategy in a significant, definite number of enterprises, such long-range strategy and thereby an adequate infrastructure also cannot be developed on a societal scale. At the present time, in our country, in the basic institutions

of society, the enterprises, cities, towns and schools, and also social institutions, we failed to elicit this long-range thinking in such a manner as to have it also manifest itself in programs. It is true that our economic mechanism does not provide a truly secure footing for our local leadership. Therefore, in this respect, the key problem is reform, the further advancement of the economic mechanism.

[Question] Now indeed the last, brief concluding question. According to your personal judgment, based on our current assessment, how long can the stabilization phase last and when may the boom start?

[Answer] It is my opinion that stabilization will not be concluded and a developmental phase will not be started at the same time in the entire national economy. This depends mainly on the investment possibilities and on the particular budgetary policy whether we can stem the sources of low effectiveness activities. I think that there will be enterprises and business and production branches for which the year 1990 will already point toward possibilities for development. This will spread in a wave-like fashion and the general societal feeling of wellness in this respect will relax or will considerably improve when the movement of the wave has reached a height that an improving situation would be felt in a significant part of the economy, public education and culture. When is this going to happen? I hope that we will be able to create a possibility for free initiative already within a year or two in a certain part of the processing industry. In this sea of restrictions, there already will be islands which will be expanding, where people can manage freely. It is possible that in 1989 already we will be able to spot such islands.

[Question] Do you agree that this opinion still belongs to the group of optimistic assessments?

[Answer] There definitely are opinions more optimistic than this. This opinion also includes that surgical intervention is a must in the field of state subsidies and also that the process is accompanied by hard societal conflicts. It is optimistic insofar as it presupposes that these conflicts will be resolved. But it is not optimistic in the sense that it does not see solutions without accepting the conflicts. The knowledge of social risks is concealed in it. I believe that awareness is better but the objective conditions are worse than in the earlier period. I do not mean to say that, to paraphrase Churchill's famous words, "a period of shedding blood and tears" is coming, because that would be a different situation, but, for the time being, belt-tightening will still certainly be necessary in 1989.

Study Discusses New Law of Business Associations

25000236b Budapest OTLET in Hungarian 30 Jun 88 pp 24-25

[Article: "Cooperative Values"; first paragraph is OTLET introduction]

[Text] Seven staff members of the Cooperative Research Institute have prepared a comparative analysis of cooperative values in capitalist and socialist society, respectively. The jointly developed opinion of Janos Eorsi, Kalman Kohegyi, Gyorgy Konczei, Odon Sok, Gyula Teller, Erika Torzsok, and Laszlo Virag is a noteworthy commentary on the new Law on Business Associations.

The dehumanizing, exploiting tendencies of classical capitalism have often been described and analyzed. The literature is likewise extensive on the various ways in which society responded to the profit motive that strived to be absolute and, having gained dominance over society, suppressed human values. One of these responses has been the cooperative, an association of autonomous and basically active individuals who severally would be weak, unable to compete, and easy to vanquish in competition.

Instead of capital and profit, the workers forming cooperatives placed the welfare of their group above all other values, striving to create humane working conditions for themselves, in place of the alienation prevailing in the economy. A coalition of individuals who alone would be weak, unable to compete and would be vanquished in competition—in other words, their cooperation—became the basis of their efforts to organize. The basic cooperative values that follow from the above fundamental state are: promotion of the interests of the individuals forming the coalition, and the humanization of production relations and of relations among fellow workers. In addition to the main cooperative values, there are many derived values as well. For example: voluntary participation, the right to dispose of one's property, democratic decisionmaking and, consequently, autonomy.

In an essentially entrepreneurial and profit-minded economy, these associations provided a framework also for the nonprofit activities of individuals who are not explicitly entrepreneurial types. The nature, and social—rather than merely economic—role of the cooperatives formed as the opposite pole of capitalist society's dominant values are evident from the fact that the number of cooperatives and their membership usually increase in crises characterized by redundancies.

The cooperatives in socialism's bureaucratic and centralistic stage of development, which continues to date, start out from a radically different fundamental position, function in a different environment and pursue different objectives. Under socialism (up to now) it is not the profit motive to which entire society is subordinated, but the principle of centralization that embraces entire society. Here human relations are threatened not by the commodity

producer's alienation, but by the irrationally excessive centralization of decisionmaking, by the omnipotence of the power structure and of the state. From this it might follow in principle that the citizens form collectives of small-scale producer, cooperatives, in their own defense. But this is not what has been happening up to now in practice. Under the state-dominated system, the state creates also the cooperatives. Thus the basic values of the cooperatives are centrally dictated basic values; and their objective is to serve the interests of the state which sets and pursues ideological objectives, and smoothly reproduces the power relations and relations of redistribution. Derived values follow also from these basic values. For example: the compulsory nature of the cooperatives; alienation from ownership; centralized decisions; loyalty to the center and superiors; the transmission of management decisions instead of the autonomous safeguarding of interests; controllability; subordination to the center; and redistribution of the produced income. Having deprived society of other integrating forces and mechanisms, the state actually organizes society economically and fits it into the centralized system of command-directed planning. In this way the system of central redistribution becomes more stable.

We are witnessing nowadays the emergence of a new situation in Hungary. In part, the traditional cooperative values are reviving—in the small cooperatives, for example. Furthermore, elements of an earlier set of values are being salvaged—in the specialized cooperatives, for instance. It has been suggested that also the cooperative movement as a whole ought to free itself from the grip of interests and values that are imbued with ideologistic motives and are alien to the members. What has to be done cannot be defined on the basis of some "universal cooperative values," because such values do not exist. The tasks can be derived from the nature and the needs of the society surrounding the cooperatives. There are no eternally valid axioms that can be declared also from behind a desk, and to which the existing cooperatives, as well as the ones striving to organize themselves, must be subject. Opportunity for individuals to find their different interests in different economic forms can and must be left open. And researchers, analyzing in retrospect the values that the individuals in the associations profess and pursue, will be able to investigate what newly arising barriers have to be overcome continuously so as to enhance the cooperative movement's development.

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Excerpts From a Study on Ownership and Cooperatives Published

25000236b Budapest OTLET in Hungarian 30 Jun 88 p 25

[Article: "Back to Basics"; excerpts from a study by Gyula Teller, staff member of the Cooperative Research Institute]

[Text] Regulation of the status of existing cooperative ownership requires the greatest resolve. For it is necessary to profess something whose declaration up to now has been hampered by many factors and processes, including fear of the cooperatives' nationalization: namely, that at present the traditional cooperatives actually are not the owners of their property. This property is associated mainly with the command-directed economy of the 1950's, and with the intricate complex of organizations for the operation of property. Consequently, the cooperatives' property cannot be returned to them directly. From the viewpoint of the cooperatives' interest, it will be best to entrust the administration of this property to the movement or movements that bear even now the seeds of operating as holding organizations. Actual ownership by the movement is still better than to let assets drift among the existing institutions. As to what kind of organization within the movement will be in charge of the assets accumulated by the conventional cooperatives (whether a cooperative bank, a board of trustees, a joint fund with a separate organization, or some other property-administering institution) is a question of minor importance when the movements are actually organized from the grass roots.

Once the circle of persons eligible to belong to cooperatives has been redefined, the cooperatives have been reorganized, and the status of cooperative ownership has been clarified, it will be possible to restore actual cooperative ownership by collectives, and actual operation as collectives, as follows:

- a) Lacking adequate capital, individual entrepreneurial collectives and groups could undertake to lease assets owned by the movement;
- b) In other cooperatives, the members could pool their property with the movement's capital, or conversely (excellent concepts have been advanced recently on maintaining a record of the resources of different origin, in a breakdown by ownership, and on handling separately the parts of income);
- c) Both forms could lead preferably to purchasing the assets owned by the movement;
- d) Where a group willing to assume the problems and risks of putting property to work does not emerge from among the membership, there the movement would retain ownership and management of the assets. (It should be noted that movement-owned enterprises of this type are very widespread in the world's market economies.)

In fact, the outlined possibilities can be perceived also as stages in a process of continuous change, in the course of which ownership by the movement is gradually replaced by actual collective ownership at the enterprise level. And the members of the voluntary groups of entrepreneurs, finding themselves in a situation similar to that of the promoters of cooperatives, ponder what they must know to put property to work and undertake the necessary preparations to do so. (They elect and select their

officers, develop their organization, etc.) This must be emphasized because putting property to work has a number of objective and subjective conditions. Among them, we wish to underscore the following two conditions:

- a) Actual collective ownership can arise only if operation of the enterprise, the utilization of property, is freed from the control of the complex of institutions for putting property to work under the present mixed mechanism, and is placed under the control of market forces. On the other hand, the movements' (interest-representing, property-administering, etc.) bodies must be placed under the control of the cooperatives.
- b) If the economy wants to enjoy the advantages of the operation of actual collective property, and to gain the extra work, assumed risk, know-how, etc. of those who put such property to work, then it must reward them. At least in the way that is now the practice in small cooperatives: by sharing more equitably than before the uncovered reserves and attained additional income. We cannot expect anyone to act as owner when he is merely being paid wages. When differentiating incomes, we must recognize the fact that to assume the position of actual owner is a significant addition to personal performance.

1014

### Chairman of Experimental Cooperative Discusses Methods

25000236a Budapest OTLET : Hungarian 30 Jun 88 pp 24-25

[Interview with Tibor Huszein Nagy, chairman of the Bordany Village Cooperative, by Erika Torzsok: "The Two-Level Village Cooperative—An Experimental Model"; date and place of interview not given. First paragraph is OTLET introduction]

[Text] Bordany is a village 12 kilometers from Szeged, with traditions of farming individually. The cooperative chairman, Tibor Huszein Nagy, and his young team—they developed the model of the two-level cooperative in Bordany—are eloquent proof that real cooperation has its justification even today, and that well-trained managerial types who belong to the younger generation, and who have a sense of responsibility for the immediate and the wider collective, are not unknown to cooperatives.

[Question] How has cooperative farming developed in Bordany?

[Answer] The agricultural cooperative in the village was formed anew in 1957. The three farmers' cooperative groups formed in 1961 were subsequently converted into specialized cooperatives, and then merged into one in 1975.

The village's ailing agricultural cooperative was also merged into this specialized cooperative as of 1 January 1986. A very young managerial team emerged. The morale of the cooperative's members was still good. It is somehow in the blood of the farmer on the sandy soils in the Szeged area to do his work decently, even when his boss orders him to do otherwise or does not tell him anything. After the initial difficulties, these members felt relief when they encountered the attitude prevailing in the specialized cooperative. They were amazed and asked: "If I earn 800 forints today will you actually pay me that much?" And we really paid them what they had earned.

This is how the dimensions of the present cooperative evolved: it has 1,200 members, including 550 pensioners and annuitants; furthermore, 3,700 hectares, roughly half of which is farmed collectively, and the soil's average rating is seven [Austro-Hungarian] gold crowns [per cadastral yoke]. In our style of management and basic philosophy we began to move in the direction of a "real" cooperative, within the bounds of possibility, and sometimes even beyond them.

Here the barriers are very strong, and today there are hardly any real cooperatives in the entire country. A few of the small cooperatives attempted to become real cooperatives, but this too appears to have been "deregulated" as of the beginning of this year. The Law on Cooperatives defines incorrectly even the objective of the specialized cooperatives' operation. The members do not own the cooperative. The members' sense of ownership has declined not because the charter members have grown old, but because the members are not in the position of owners. The state as owner has claimed the cooperatives' assets. To mention only two examples: First, from the income the owner is entitled to a return on capital; but in taxing the cooperatives' profits—at the same rate, incidentally, as the profits of the state enterprises—the state has lumped the return on capital into the tax base. (2) Contrary to the provisions of the law, it is the minister who sets the conditions for the senior managers' bonuses, and what he bears in mind when setting these conditions is obviously not the cooperative members' interest. How can a cooperative's capital increase when the state centralizes the sources from which the capital ought to be increased? And I on my part do not know whether I am the state's employee in the cooperative or the membership's elected leader.

#### [Question] Let us revert to the concepts.

[Answer] In small-scale farming, this cooperative ought to be pursuing the direction of intensive development. Which means that emphasis should not be primarily on a quantitative increase of the output, but on processing, packaging and efficiently marketing what is produced. This is already something that farmers are unable to solve individually. In the absence of cooperatives, one would have to be invented for this. No cooperative is being formed as yet, however, because the state would

take away the assets that the members bring into the cooperative. We agree that there is need for development, and the membership could subscirbe the capital for it. But in order to have a decent restaurant, for example, the AFESZ [General Consumer and Marketing Cooperatives] requires that the members subscribe shares and special-purpose shares. With the subscribed capital it then builds first a department store and a Bavarian beer hall in Szeged, and only 18 years later will it finally build a restaurant here. Or there is the savings and loan cooperative, through which the farmers' income is recycled into consumption, whereas this income includes also a significant return on capital, which ought to be recycled into production. We too would like to attract the members' money, but it is not we who get it, because the interest rates that the banks are now paying on deposits are very competitive with the profitability of agriculture and the food industry. There are nearly 3,000 residents in the village, and 3,000 cooperative members. The only way this is possible is that many members belong simultaneously to several cooperatives. After all, no one under 14 can belong to a cooperative.

The conception has evolved in recent years that the number of people the village is able to support depends not primarily on how much is the specialized cooperative's annual wage bill, but on how well we are able to set up the membership in business. To realize income on the members' farms, they must be properly supplied with mechanized agricultural services, and with materials and equipment on the one hand. And on the other hand, a market that is dependable also in the long term must be provided for what is produced. To this end, the farm products must be processed modernly. Income ought to be concentrated and used to finance development. This led to the idea that the residents form cooperatives which they "own" and thereby subscribe their own capital. Today the members belong to three or four cooperatives, for their money is being sought in that many directions, yet the members do not really own any one of the cooperatives. Therefore let us try to put this together. We are calling this plan the village cooperative. We have not given it a [proper] name, because it is all the same to us into which branch and type it is classifed.

[Question] Why is this classification by type important?

[Answer] This classification by branches, forms and types is one of the main problems of forming cooperatives. What we had in mind was to have a cooperative, and to give its owner guaranties so that he will not be defenseless, and this cooperative will not mean once again the alienation of property. Institutional guaranties are necessary for three things at least: First, to ensure that too much power is not concentrated in the hands of a small managerial stratum; its power can be limited through control by the owner. Secondly, to prevent the managerial stratum from becoming the servant of foreign, outside interests. And thirdly, to have the membership protect its capital even from itself. This may sound

strange but is nonetheless important: if the cooperative's member is vested with the owner's rights in his capacity as employee, the cooperative necessarily becomes conservative. This seems conflicting but is, regrettably, true: today the more internal self-management a cooperative has, the more conservative it tends to become in a crisis. The conflict of interest between employer and employee is a natural element of the economy. Instead of being lumped together, therefore, these two interests must be allowed to clash through a suitable mechanism. Thus we have come to the conclusion that this cooperative will have to be a two-level cooperative. A cooperative of equity holders would be formed, in which the return on capital is qualified not only by the amount of the dividend, but also by the extent to which the capital aids the members' individual farming. This cooperative of equity holders (or perhaps holding cooperative) would found businesses that could gainfully employ the members seeking jobs. The businesses would compete for the holding cooperative's capital and would have to render an account of the capital they got.

[Question] Would this village cooperative be an association of individuals or rather a pooling of assets?

[Answer] This question cannot be circumvented, although the presidium of our national interest-representing organization is of the opinion that cooperatives and business associations must not be mentioned in the same breath. After lengthy intramural debate, we feel that the village cooperative would have more in common with the Law on Business Associations, which is now being enacted than, with the present Law on Cooperatives, because . . ..

[Question] How detailed is the model of the village cooperative that you have developed.

[Answer] We have thought it through in as great detail as is required for an experimental model. Initially we proposed that this model be tried out in our village, so that also some practical experience would be available for the cooperative system's modernization. We do not claim that ours is the only feasible model. Indeed, there is no single model, in our opinion. But we believe that it would be worth while to try out our model.

[Question] How much has been implemented of these concepts?

[Answer] So far, practically nothing. The statutory regulations on cooperatives rule out at least two of the conditions. First, they do not permit any association of cooperatives that belong in different branches of the economy and are of different types. And secondly, they do not allow any two-level cooperative of the kind we are planning. Last summer we sent our proposal to the government, the TOT [National Council of Agricultural Cooperatives], the minister of finance and the minister of agriculture, but to date have not received a reply from any of them. However, somebody must have studied our

proposal, because we received an inquiry from Party Headquarters, although we had not sent a copy of our proposal there. At our recent general meeting of members, we took a few hesitant steps to modify the bylaws of our specialized cooperative, in the interest of the program's implementation.

[Question] Could you cite some examples?

[Answer] We have attempted to meaningfully distinguish membership from employment; to strengthen equity participation; to allocate land within the cooperative, not only among members, but also collectively farmed land to members farming individually; and we have worked out a system of self-help for members who are farming individually and not participating in collective farming.

[Question] What reception has this plan encountered in the village?

[Answer] It has been received well. The genie has escaped from the bottle.

1014

### Fear of Skinheads Causes Miskolc Gypsies To Arm

25000241c Budapest NF PSZAVA in Hungarian 25 Jul 88 p 5

[Article by Jozsef Udvardy: "Skinhead Hysteria in Borsod County"]

[Text] "I work in Miskolc on a construction job. I get up at 4 in the morning. The train gets me home by 8 in the evening. You can imagine how tired I am every day. I could use the rest, but I am not sleeping: I stay awake, because my house could be the one chosen by the skinheads, who could attack my family at night. I struggle with my weariness and keep a hatchet and a pitchfork handy. I am not alone; there are others staring into the night, looking for movements and sounds."

I interviewed the middle-aged Ferenc Beri in Szendro. I could have talked with others, I could have asked a younger or older man, a woman or a man: the response would have been similar. Gypsy residents of the area are terrified of attacks by skinheads. In their fear, they have prepared weapons, various cutting and stabbing tools, and organized a network of lookouts. As it turned out, needlessly, because the skinheads have not shown themselves either in the city of Miskolc or in Borsod county, and there has been no recorded case of attacks on Gypsies. It is difficult to imagine that three or four, or even more, young skinheads would threaten villages. However, mass hysteria can make gossip believable, and in this case rational thinking failed.

#### Mouth to Mouth, Spreading Like Wildfire

Three or four weeks ago, terrifying items of gossip began to circulate in Miskolc. According to the rumors, skinheads were raising havoc in the city, attacking residents of the Gypsy quarter. The county paper, ESZAK-MAGYARORSZAG, twice denied the gossip in recent weeks, and the Miskolc radio station also devoted some time to it; so far, to no avail. Unfortunately, rumors survive like indestructible cancerous cells that crop up again and again, in spite of all interventions. Descriptions of fantastic events spread from mouth to mouth, faster than wildfire. I could cite plenty of concrete examples for their content. I will not do so, because I am afraid that some people would pass them on as real events.

Both local and nearby Gypsies work on building the future Szendrolad school. I asked three young men, and they answered in unison: Skinheads, dressed in black and with heads shaved clean, could enter their village, but they would not come out. They would be taken out by a hearse. My informants even claimed to know who the skinheads are:

"Racists who want to wipe out people of colored skin. They are directed from abroad and get their money from there. They have been hired to attack us. One night we heard that they were in the wheat field. About twenty of us got our sticks and hatchets and went after them. Unfortunately, they were quicker than we were; we could not catch them. The next day we found three barbecue stakes and some boxes with coded locks at the edge of the forest. They must have left them there."

#### **Demanding Institutional Protection**

"Couldn't it be someone else? Couldn't hikers, children or hunters have used the fire to fry some bacon?"

At this they became uncertain, but the next minute Andras Kalocsai blurted out:

"I read about skinheads in a picture magazine. I showed it around the settlement; let everyone know who our enemies are."

The magazine in question was probably the June 2 issue of the KEPES 7, containing Peter Szanto's article about the skinheads of Budapest, titled "The Skinhead of the Dragon." The article in fact contained a quote from a Fascist-sounding, anti-Gypsy poem. But it also stated that no matter how hard he searched for them in the human jungle of the capital city, the reporter could not find any skinheads: Perhaps because they hid their costumes, put on normal clothes and "started growing hair like madmen."

In and around Edeleny, 17 percent of the population is of Gypsy background. This is an average figure, because in Rakaca 87 percent and in Szendrolad 57 percent are Gypsies. Some of them grew up in backward circumstances, although their improving standard of living is shown by the fact that nearly all dwellings have radios and television sets. In recent times, the skinheads were repeatedly mentioned on television, and the daily press also reported on Hungary's neo-Nazi youths. Of course, it is not the fault of newsmen that many people misinterpreted, distorted and falsified the content of these reports.

It is impossible to tell whose imagination first gave birth to the rumors. But it is true that the most implausible stories circulate among the least educated and most ignorant strata. It was about a month ago that in various regions of Borsod-Abauj-Zemplen County Gypsy families moved in together and spent the night that way. They posted guards and stayed awake at night. It was evident that Gypsies stick together in times of trouble. Guards were organized for several days, they kept constant watch over children and guarded old people. They told patrolling policemen that they would tolerate no strangers near their settlements after dark.

"On the morning of July 6," Janos Szeman, the council president at Szendrolad, recalls, "a group of about 60 people showed up at the council house. The women and men complained that the night before someone had stoned the houses of the Gypsy settlement. They could not sleep, and together they chased after the non-existent attackers. The deputation first demanded institutional protection and then asked me to give them a paper validating the reason why they could not go to work that morning. The district militiaman and I tried to convince and quiet them. Finally, they disbanded, but I could see that they did not really settle down."

When panicked, a crowd could easily become dangerous, especially if it finds a spokesman who, out of malice or ignorance, further increases the hysteria. The Edeleny police chief called upon district militiamen and policemen to use all their abilities and diligence to eliminate mass panic. It was announced in numerous places that no skinheads had been seen yet, either in Miskolc or in the county.

#### Reason Might Help

Fortunately, there were people at the Gypsy settlement of Szendrolad who did not buy the false stories. Zsolt Gaspar, for example, told us that his father tried to quiet the loud-mouths and repeatedly announced that he did not believe the horror stories. Maria Lakatos personally tried to find out the truth. She wrote to the Council of Ministers, inquiring about the skinheads. She had already received an answer and was reassured by the news that authorities in Budapest had initiated criminal procedures against skinheads who conspired to commit criminal acts or participated in rowdyism.

It is easy to see how events can take a dangerous turn. Unfortunately, there have already been incidents when nervous Gypsies attacked innocent persons. Near the Gypsy settlement of Borsodszirak, shortly before midnight on July 5, a group armed with sticks and stones tried to force an automobile to stop. Fortunately, the driver did not stop, but drove straight to police head-quarters. Criminal procedure has been initiated against the perpetrators. In the community of Tallya, a foreign motorist suffered injuries that took more than eight days to heal. The young man, who was unlucky enough to wear his hair short, was perceived to be a skinhead.

What can be done in a situation like this? The greatest help could come from the Gypsy organizations, the local Gypsy councils. Monday afternoon I talked with the president of the Gypsy council in Miskolc, Bela Horvath, and one of the council members, Dezso Szegedi. They told me that within the next few days the county and local Gypsy councils will decide what they can do to dispel the hysteria caused by the rumors. They felt that every rational Gypsy must convince his friends that there is no danger, that the rumors should not be accepted. At last, reason and comprehension ought to prevail.

12588

#### **POLAND**

**Defense Committee Meetings Noted** 26000521b Warsaw TRYBUN4 LUDU in Polish 25-26 June 88 p 2

[Article: "WKOs Meet"]

[Text] The Voivodship Defense Committees met. In Konin information was given on the management of the Konin-Pyzdry Valley. Kazimierz Barcikowski attended. In Rzeszow there was an assessment of the way the civil defense system in Lancut was functioning, and information was given on the status of fire safety at the Grain Mill Industry Plants in the region.

10790

PRC Concert Group Visits 26000521c Warsaw TRYBUNA LUDU in Polish 25-26 June 88 p 2

[Article: "Gala Appearance by PRC Group"]

[Text] The Song and Dance Group of the Chinese People's Liberation Army ended their appearances in Poland on 24 June, with a gala concert in the Co gressional Hall of the Palace of Culture and Science in Warsaw.

The following members of the PZPR Central Committee Politburo attended the concert: Jozef Baryla, Central Committee Secretaries Marian Orzechowski and Andrzej Wasilewski, Tadeusz Sawic, head of the Culture Department, and officials from the Ministry of National Defense.

10790

Bloc Trade Unionists Meet 26000521d Warsaw TRYBUNA LUDU in Polish 25-26 June 88 p 2

[Article: "Meeting of Trade Unionists From Socialist Countries"]

[Text] A meeting of secretaries and directors of legal departments of the trade union centers in socialist countries came to a close in Warsaw. The meeting had been set up under the auspices of regular organizational meetings, this time, by the Polish OPZZ. Delegations from Bulgaria, Czechoslovakia, Mongolia, the GDR, Poland, Rumania, Hungary, and the USSR attended. A representative of the International Center for Defense of Trade Union Rights attended as an observer.

Alfred Miodowicz, OPZZ chairman and member of the PZPR Central Committee's Politburo, met with the participants the same day.

The meeting was devoted to the legal aspects of employees' sharing in management of the national economy. Ulan Bator, the capital of Mongolia, was agreed upon as the place of the next meeting, which is to be held in 1989.

10790

### Students Should Be Politically Active But Restricted

26000504b Warsaw ODRODZENIE in Polish No 22, 28 May 88 p 5

[Article by Kazimierz Kozniewski: "University Students" under the rubric "A Mirror in the Roadway"]

[Text] Two weeks ago this column was missing in ODRODZENIE, probably for the first time since I started writing it for this periodical. I received several telephone calls asking why.

Of course, I did write one and even two articles for this column. My subject at the time could be only one: the strikes at the Gdansk shipyard and at the Nowa Huta Steelworks, as another link in the chain of events commenced in 1980. However, the views contained in my articles were considered by the editors of ODRODZE-NIE as not publishable, since they differed too much and too radically from the position restated in many declarations of the PRON [Patriotic Movement for National Rebirth, a kind of popular front] in the last 5 years. Regular readers of my column can readily guess my view

on these events. It is the traditional right of a columnist to express his own views, different from those of the editors, the government, the party, or the PRON-on this issue, as on any other issue. But it is an equally traditional right of editors of any periodical not to accept for publication an article offered to them, any article whatsoever! I would even say that the right of the editors ranks higher than the right of an individual publicist, for the editors represent some social view, whereas a publicist, fortunately and always, champions only his personal views. Freedom of speech, blessed and necessary to the normal life of any society as it is, also has and must have, like any other freedom, its bounds. It is up to the wisdom and policy of any editorial board where and when to say no to a publicist. I have no complaints about the editors of ODRODZENIE because they hesitated to print my articles.

Recent events have resulted in still another newsworthy topic and even if the editors of ODRODZENIE say no again, I want to again restate my view on a social issue. That view, which has always been rejected by everyone, is a view that I have been persistently advocating for 50 years. And although it will probably never be translated into reality, I think that it may prove intellectually stimulating.

This concerns the political life of university students. I inherited this view from my father, who had completed his studies as far back as before 1914 in Vienna, and who remained faithful to his conviction until his tragic death in June 1940. As for myself, I had first proclaimed it publicly at a meeting of members of a so-called leftist fraternity, "Spojnia," at Warsaw University, in the winter of 1938, when I was a freshman there. To this day I have not changed my view, even though, while a student, I myself acted contrary to it, since my nature was stronger than my convictions.

In the winter of 1938/1939 Warsaw University was continually shaken by anti-Semitic riots caused by the Endek [National-Democratic] and ONR [Oboz Narodowo-Radykalny, (Radical-National Camp), an offshoot of the National Democrats following an internal party crisis in 1934, promoting a fascist philosophy of antisemitic activism] student youth. The leftist youth—of all hues and varieties-to which I belonged ardently protested against all this. I even received a written warning of expulsion from the University President for having actively prevented University guards from checking (prior to a lecture by Professor Tatarkiewicz [a highly regarded professor of philosophy)) whether Jewish students were sitting as ordered on the left side of the lecture hall. The University President and the minister of education had been forced by Endek and ONR anti-Semitic gangs of thugs to take that disgraceful decision to establish a bench ghetto.

Well, it was then, at a meeting of young student Democrats, Populists, Communists, etc., that I expounded the view that the police should have free access to the

campus (which it had not had, owing to the so-called university autonomy) and that any political activities by students should be prohibited on the campus.

I was alone in advocating this view. Our student leftists combated the rightists zealously and intransingently, but they in no way approved of a view that political activities should be banned on university campuses, because they did not want to have to leave the university themselves.

Several years later, in 1945, we learned how greatly, how incredibly harmful were the political activities of students—this time of leftist students belonging to such organizations as the ZWM [Union of Young Fighters] or the ZNMS [Union of Independent Socialist Youth], who, when admitted to participation in university rule, had caused so much harm with the consent of the authorities by attacking and criticizing individual professors, including the abovementioned Wladyslaw Tatarkiewicz himself.

Years passed, and the country's political situation kept changing, but nearly always the political activities of university students were totally harmful to Polish youth and Polish education—just consider the excesses of the NZS [Independent University Students' Association] in the 1980s!—and to the state as well!

Besides, this is happening not only in Poland. Perhaps not always, but as a rule, the overall results usually are negative and political demonstrations by student youth in any university in any country are causing maximum harm to the state. I repeat, not always, because at times youth may be right. In Poland student youth was right just once, in 1968! But in the general historical balance sheet most of the time student youth has not been right.

In my opinion, student youth should be entirely excluded from any political and ideological-political activities, including religious activities. No politicalideological organization should be permitted to operate among students at institutions of higher education. This means any organization and any party, whether rightist or leftist, whether religious or Marxist, whether progovernment or oppositionist! This means them all, including the Association of Polish Students, the NZSof course-and also the Union of Polish Socialist Youth, the ZMW [Rural Youth Union], and all religious organizations, their parishes, student basic party organizations, and even the Scouting movement. All of them should be banned on the campus! Only the fraternities and the science and research clubs should be left. And of course, there should be no representatives of these fraternities whatsoever in the university senate and department councils! Student youth should be most formally excluded from all forms of political-ideological activity. Its only obligation should be to study! Intensively, so as to start pursuing a career as soon as possible.

Higher educational institutions should be, by law or some common custom, totally excluded from any political activity. I am aware that politics will find a way of infiltrating itself through selection of fraternity pledges, and I am aware that it will manifest itself in practice, but I also think that with time it will become a common idea that universities are a place to study rather than to engage in politics. I have nothing against it if students belong to the PZPR, the ZSL [United Peasant Party], the SD [Democratic Party], the Polish Socialist Youth Union, the Rural Youth Union, the Association of Polish Scouts, or some organization of Catholic youth, so long as they belong as discrete, adult individuals to the off-campus chapters of these organizations.

Students as students should be outside any university political life, and the same should apply to school youth. After all, universities may be higher schools but they still also are schools.

I am perfectly aware that my position is, was, and will remain totally unpopular, and that everyone will object to it. Every political or ideological grouping would like to remove its opponents from the universities but would not in any way be willing to leave them itself.

I am expressing this radical view of mine not because I have any hope that it will be accepted or the more so translated into reality. Even though this view is in the best interest of the society and the state. I am expressing it in the hope that it will spark a reflection in some people, prompt them to think that perhaps it is not good when student youth preoccupies itself with politics prematurely? Perhaps this is worth pondering?

1386

#### "Conspiracy" Charge Leveled at Illegal Scouting Publication

26000521a Warsaw TRYBUNA LUDU in Polish 21 June 88 p 3

[Article by Kazimierz Kozniewski: "Hard to Deny: Conspiracy!"]

[Text] Several months ago, in February, TRYBUNA LUDU published my article on the moral danger to which young people are being subjected. I was talking in particular about scouting, which, under the auspices of a single organization, ZHP, is attempting to submit, from the side, as it were, to two different sorts of conflicting world view influences.

I was disturbed—I still am—that contrary to the organization's bylaws, attempts are being made to introduce into a pedagogical organization whose purpose is the moral training of young people, chiefly in lay loyalty to the state and in an attitude which is to serve as the basis for all to adopt, certain practices of religious formation which should be handled elsewhere, outside of ZHP, on a different basis.

At the time I received many expressions of support, but there were also many letters which were in fierce disagreement with me. Despite the entire history of scouting as an organization of state formation, there are those people who are trying passionately to make scouting an organization devoted mainly to religious formation. This is how it has always been. From the very beginning, scouting has been an area of conflict between two concepts of moral training, but the concept of primarily religious training has never won priority in ZHP. During the occupation this led to a split into two secret scouting bodies: the "Grey Line" (ZHP), in which religious training played no role at all, and the famous "Polish Scouting," in which religious training was of fundamental importance.

Nonetheless, at no time in scouting did anyone or any of the parties to this dispute propose that young scouts take part in secret clandestine scouting activity against the government. Against not the partitioning government but against our own Polish Government. Never up until now did scouting in any way, in any form, act as a figure-head for any sort of clandestine action against the Polish Government, because there was the understanding that conspiracy in one's own country is something which is especially dangerous morally, something that violates the national and ethical foundations of civic training.

But now....

Copies of two issues of the illegal publication CZU-WAMY! (Be Prepared!) were sent to me. They had a subtitle which nobody should have been using since 1944. The title "Biuletyn informacyjny" (Information bulletin), even if it is to be some sort of bulletin that contains information only, has nonetheless been reserved for just one special sort of large publication going back to that day, and it now belongs to history. No one is allowed to sneak into that publication, which, it should be noted, is edited by Aleksander Kaminski.

Of course, giving out this sort of information serves no purpose at all whatsoever. The publishers and editors of this illegal publication CZYWAMY! have more than such sins against society on their conscience. The term "sin" is exceptionally well suited in this case, because everything in these two issues of CZUWAMY! keeps being signed "Ministry to Boy and Girl Scouts" (or maybe this is slipped in?). Along with the issue of CZUWAMY! there is a flier advertising events of that "Ministry to Boy and Girl Scouts." In the issues we have a meaningful graphic symbol: a lily against the background of a cross, an ordinary church cross, not a scouting one, surrounded by the borders of Poland. In CZUWAMY! time and again we find explanations, information, and allusions which unequivocally describe the religious nature of this Polish Scouting Organization (POH), of which CZUWAMY! is the published expresThis "Polish Scouting Organization" says it belongs to scouting, but it easily forgets that all over the world scouting is so exclusively a group of state organizations that in 1946 the International Scouting Office expelled the emigre Polish scouting group on the grounds that it was not strictly a government scouting group. The International Scouting Office, with one exception, the Armenians, would never recognize emigre organizations. But it seems that even the activists in Konin, Wloclawek, Gdansk, and Lublin (which is where POH is supposedly operating) have no idea of this. They state that they will try to have young people themselves "make a conscious choice of their own world view," but at the same time they add that this must be a religious one, and if somebody consciously decides to choose a lay, atheistic world view without religion, then what?

Taking no stand on the religious life of its members and having no desire to organize that life, in order not to thrust any religious or nonreligious views on anyone, the ZHP is considerably more tolerant than these would-be scouts "seeking their own religious attitude." But necessarily religious!

The second issue of CZUWAMY! contains an article by "Jan Det." The author unequivocally condemns any sort of "bilateral formation," saying it is morally harmful, and calls on his young friends to reject ZHP, in which as believers they must subordinate nonreligious forms of training. He asks them to come into the scouting where everything is entirely unequivocal, the conspiratory scouting that is anti-government and anti-state, to come to those who publish CZUWAMY!

We need only look at the scouting slogans of the CZU-WAMY! editors to see that there is not a shadow of doubt that this is to be a clandestine anti-state organization. They say clearly that they will not carry a scouting cross or wear scouting uniforms, and they will not seem to differ from their peers in any way, but, after all, they explain, everyone is entitled to meet, move around, and have a good time with a group of friends, and if this is a scouting good time, what is that to anybody? But, as the ten little pages of this secret publication show, the activities in this Polish Scouting Organization consist of something altogether different. They consist of meetings with... but that is just it, famous activists of the illegal political opposition, that is, Mr Onyszkiewicz, Mr Moczulski, Mr Romaszewski, "the chairman of the commission on law and order of KKK NSZZ Solidarity." We discover that POH is not operating according to the regulations of ZHP, but according to those of other "scouting groups" in existence far from the borders of our country.

CZUWAMY! conveys information about the activity of a few illegal scouting groups and troops conspiring against the Polish Government. Sometimes this activity is to be waged under the cover of organizations like TPPK, LOP, the Canary Breeders Society, and other organizations that "do not require that their members engage in servile gestures towards the system." In CZUWAMY! we read: "...because scouting is not a concrete organization but a system of formation on which nobody has a monopoly." At some other time there is to be the creation of genuine scouting or religious scouting, modeled after the existing religious organizations in other countries.

We must not beat about the bush. Because in Poland there is the one and only ZHP, because this ZHP in keeping with its statute does not organize its members' religious life, because in Poland there is the legal protection of the name "scouting," "girl scout," and "boy scout," and because throughout the 75 years of the history of scouting in Poland there has never been any religious scouting (except between 1940 and 1944), the proposals and actions of POH are an anti-government conspiracy, the organizing of conspiracy, and incitement of young people to conspiracy. To urge young people to engage in anti-government conspiracy and to act in violation of the laws in force is, from the viewpoint of the good of the young people, therefore, an action which is most harmful in moral, ideological, and civic terms.

So that there will be no doubt, POH and its publication CZUWAMY! are simply an ordinary clandestine cell of illegal "Solidarity." Therefore we can only be sorry about the unceremonious exploitation of the symbols, methods, and name of scouting in a way that does not take into account what is good for young people and about work which is demoralizing from the viewpoint of young people's formation. We can also be surprised that church officials allow the church to be drawn into this sort of demoralizing activity and to use the auspices of the clergy. The church formally rejects all sorts of conspiratorial activity, but in fact this action by "ministry to boy and girl scouts" is creating equivocal conflict situations, equivocal in terms of the existence of the Polish Scouting Union. And all around we continually hear assurances that nobody wants any conspiracy to demoralize young people, but illegal structures feed on just such equivocal situations and are already clearly exploiting them.

In this way scouting for the first time in its long history is becoming the pretext for clandestine anti-government activity. CZUWAMY! is clear proof of this. It is hard to deny: this is nonetheless conspiracy!

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#### GERMAN DEMOCRATIC REPUBLIC

Defense Ministry Collegium Assessed 23000124 East Berlin VOLKSARMEE in German No 26 (signed to press 20 Jun 88) p 3

[Unattributed article: "Accomplishing the Class Assignment of the XI Party Congress With Optimum Results—The Military Doctrine of the Warsaw Pact—as the Military Policy and Military Component of the Peace Program of Socialism—is the Law That Governs our Action"; first paragraph is VOLKSARMEE introduction]

[Text] A joint conference of the Collegium of the Ministry and the Secretariat of the Political Main Administration of the NVA [National People's Army] took place on 17 June 1988 in the National Defense Ministry to analyze the 6th Conference of the Central Committee of the Socialist Unity Party of Germany. It was directed by member of the Politburo of the Central Committee of the SED [Socialist Unity Party of Germany] and National Defense Minister Army Gen Heinz Kessler. It was also attended by other generals, admirals, and officers of the NVA, the border forces of the GDR, and civil defense.

### The Goal of All Efforts Is the Further All-Around Strengthening of Socialism in the GDR

Army Gen Heinz Kessler started with the basic assumption that the tasks connected with the protection of peace and socialism during the first training semester of 1987-88 have been accomplished. This means that the soldiers of socialism are discharging their peace-policy responsibility and are contributing to the implementation of the resolutions of the XI Party Congress of the SED. As in the sectors of the national economy, the NVA and the Border Forces of the GDR reportedly attained the necessary performance increase above all through intensification. During the training phase just behind us, it was possible—also under often complicated conditions—to achieve good results in political and combat training, in the routine duty system, in securing the air space and the territorial waters, as well as the international boundary.

The Sixth Central Committee Conference made it clear that the goal of all efforts is the further all-around strengthening of socialism in the GDR. This is the decisive task and contribution of the SED as well as the entire people of the GDR for building a world in which peace becomes the basic principle of coexistence among peoples. For the members and civilian employees of the NVA and the border forces this means guaranteeing defense readiness at the required level at any time in firm arms comradeship with the Soviet Union and the armed forces of the other brother countries. For them, the military doctrine of the Warsaw Pact—as the military policy and military component of the peace program of socialism—is the law that governs their action which in turn is aimed at preventing a war.

Gen Kessler underscored the responsibility of the communists for making sure that the resolutions of the XI Party Congress will continue to be implemented successfully. The important thing is to accomplish the class mission with optimum results through activity and circumspection. Analyzing the Sixth Conference of the Central Committee of the SED above all means that its content must rapidly be translated into political and military practice.

### Spelled Out by the Eighth Party Congress, Further Developed by the XI Party Congress—The Policy of the SED is Proving Itself in Real Life

Central Committee of the SED Member Coi Gen Horst Bruenner, deputy minister and chief of the Political Main Administration of the NVA, stressed the following in his statements:

- 1. The Central Committee of the SED gave all communists a Marxist-Leninist analysis of the international situation. The report and discussion confirmed agreement with the CPSU and the other brother parties on issues of the fight for detente and disarmament in a world full of profound contradictions. It fits the military-policy and military efforts—as indispensable components of our party's overall policy—organically into the struggle for the further fashioning of the developed socialist society. And it hardens the need for the constantly high level of fighting strength and combat readiness of the NVA and the border forces of the GDR.
- 2. The Sixth Conference analyzed the further development of the party's society-oriented strategy. On the basis of a strictly dialectical-historical approach to the social processes, our party again proved its ability to tackle new issues at the right time also under difficult conditions, to permeate them theoretically, and to provide answers. The analysis of the status of societal development, the driving forces and advantages of socialism, especially the leadership quality of the party and the creative strength of the popular masses-obligates us and enables us to implement the course adopted by the VIII Party Congress and confirmed and further developed by the XI Party Congress while constantly paying attention to the newly maturing problems, to maintain the dynamics of socialism's advance and further to boost the performance capacity of our national economy. Based on scientific-technological progress, we must go the route of comprehensive intensification in an even more goal-oriented fashion. This is also the main road to an increase in the fighting strength and combat readiness of our Armed Forces and the border forces of the GDR. Overall, the alliance with the Soviet Union is indispensable requirement for the all-around strengthening of the GDR. Cooperation with the Soviet Union and the other brother countries therefore calls for constant creative further development.

- 3. The Sixth Central Committee Conference establishes the tasks aimed at the further solution of the main task in terms of its unity of economic and social policy. It made it clear that this course demands enormous, above all quantitative efforts on the part of the communists and all citizens. Closely connected with that is the further unfolding of socialist democracy, the conscious, committed cooperation of all in mastering society's problems. Working with the documents of the Sixth Conference, the important thing is everywhere to implement the principle stressed by General Secretary of the Central Committee of the SED, Comrade Erich Honecker, during the conference with the 1st Kreis secretaries, to the effect that everything that is good for society must also bring benefit to the individual.
- 4. With the help of the document on the 17th anniversary of the founding of the KPD [Communist Party of Germany], the Central Committee is orienting us toward the growing role of historical awareness in the process of societal development. The outstanding significance of this resolution—which, for a long time to come, will fructify our political, ideological, and theoretical work beyond the anniversary at the end of 1988, resides in the fact that it uncovers deep sources of strength and invircibility of our Marxist-Leninist Party. It proves the ability of the party of Thaelmann to show its mettle also in difficult situations and at abrupt turning points of the class struggle, to overcome setbacks, errors, that came up, and to lead the working class, its allies, and all working people on the revolutionary road that was crowned 40 years ago by the founding of the GDR.
- 5. As a whole, the 6th Conference, in conjunction with the corresponding directive of the Central Committee, presented a comprehensive orientation toward the preparation and implementation of the party elections. At the focus we find the further consistent implementation of the tasks, such as they were established by Comrade Erich Honecker in addressing the 1st Kreis secretaries. The important point is to be guided by this when, during the report election meetings and at the delegate conferences, the activity report and the task assignment served to outline the steps necessary in order everywhere further to enhance the role of the party in the implementation of the resolutions of the XI Party Congress.

#### Develop Historical Consciousness, Strengthen National Pride, Shape Action Readiness for Top Performances

The conference in the National Defense Ministry urged that—by way of analyzing the Sixth Central Committee Conference—we thoroughly work our way through the resolution on the seventh anniversary of the KPD at all leadership echelons and in all party base organizations and that we comprehensively include it in a differentiated fashion in all of our political-ideological work. A first main point here is the stepped-up development of historical consciousness among army personnel, border soldiers, and civilian personnel. This is a special demand being placed upon the older comrades. They are best able

to report on the many trial situations facing the party, on the toughness of the class struggle, on the fight for the brains and hearts of individuals, about the successes but also about the way setbacks were overcome. Their treasure of past experience includes this: 40 years of GDR, that indeed is the creative implementation of the revolutionary program for socialism and peace, for the welfare of the people, which the founders of the KPD drafted 7 decades ago; in alliance with international capital, German imperialism in the western zones of Germany divided national and state unity whereas the SED fought for the preservation of national and state unity; the origin and growth of our republic as well as its military protection are the fruit of hard, selfless, and creative work of millions; every step during the buildup of socialism was and is also in the GDR a step into a new world, a steady process of searching, of mastering contradictions. It certainly speaks well for the wise and far-sighted policy of the SED, for its creative theoretical work, that, since 1971, it initiated a whole series of fundamental reforms in this context in order to combine the advantages of socialism with the results of the scientific-technological revolution to the benefit of the

Second, the values, advantages, and achievements of our socialist German Democratic Republic are a convincing expression as to how Ernst Thaelmann's bequest was implemented. The values of our socialist order are unmistakably expressed in the unrestricted profession for peace, socialist freedom, and justice guaranteed through the system of society as such. But this is also expressed in terms of social security and the possibility of the full unfolding of the socialist personality in our system of justice which is in keeping with the state of societal development and which characterizes the GDR as a socialist state of law. In implementing the documents of the Sixth Conference, the important thing is to present to army personnel, border soldiers, and civilian employees in a convincing fashion the ideals, goals, and achievements of our socialist society, to develop their national consciousness in depth, and further to fashion their love of homeland and their action readiness for top performances aimed at the all-around strengthening of the GDR and its reliable protection. Clear and partisan positions concerning the values and advantages of socialism contribute to our not allowing ourselves to be crushed by the many different problems of everyday life which the party neither passes over in silence, nor covers up, and to counter them with the firm determination creatively to cooperate in solving those problems.

A third main point contains the internationalist position to the effect that, in our relations with the Soviet Union and the other brother countries, we must support everything that strengthens socialism. When it comes to the consolidation of peace, we find that the strengthening of socialism in each individual brother country on the basis of Marxism-Leninism is the decisive prerequisite here. That is the most important contribution to the international strengthening of socialism. The further in-depth

development and consolidation of internationalist education is a task of high political standing that includes the consolidation of arms brotherhood.

#### Guaranteeing Constant Defense Readiness and Good Service, Working, and Living Conditions Through Intensification

Good foundations were created during the first training semester for accomplishing the coming tasks. It has been possible to develop the understanding for the society strategy of the SED in depth, to motivate army personnel, border soldiers, and civilian employees toward the creative mastery of the consequences arising for our fighting forces and the border forces from the military doctrine of the Warsaw Pact and to mobilize them for the achievement of high-level performances. Here, the consolidation of the Marxist-Leninist class position and of political steadfastness is more important than ever before. The conference conducted in the National Defense Ministry made it clear that, in the course of daily combat training, one must do everything, through the complete utilization of existing possibilities, which are offered by socialist competition and performance comparisons when it comes to guaranteeing stable training results, as well as the organized nature of all military life, in order to make sure that readiness and ability for collective military protection of the socialist countries will always be guaranteed at the required level in unalterable arms brotherhood.

It was felt that the intensification of the leadership, training, and support processes increasingly became a component of leadership activity. We also have all prerequisites—including the intellectual capacities of army personnel, border soldiers, and civilian employees—in order to intensify the processes of military life in a thoroughgoing fashion as we continue on our way. Here it is necessary, it was indicated, to introduce the latest discoveries of science and technology faster in everyday unit practice and to use key technologies in a thoroughly exhaustive fashion. It is also necessary to increase the effectiveness of intensification measures, specifically, not only for the sake of accomplishing the growing tasks, but also in the effort to improve duty, working, and living conditions. In innovator work, the

emphasis is on continuing the intensification and rationalization surge, attained since the XI Party Congress, above all by using microelectronics and through the effective employment of modern computer technology. The economic results of military action must always be analyzed anew and more effective solutions must be derived from that.

### Preparing Party Elections With Obligations Discharged—A Matter of Honor for the Communists

The chief of the PHV [Political Main Administration] of the NVA oriented us toward the effort to develop the coming party elections at a time of maximum activity connected with the accomplishment of the party resolutions, the orders from the minister, and the training programs based on that. Party education must more than ever before contribute to the development of the fighting spirit for the accomplishment of the resolutions, loyalty and devotion to the cause of the party, and exemplary action in political and military life. All party organizations need to develop an atmosphere, it was indicated, which will be characterized by a high level of partisan activity, which will inspire every comrade so that he will actively express his rights and duties. They arise where a position is adopted as a matter of principle on the basic ideological issues, where, in a critical and self-critical fashion, things are pictured the way they are, where the best lessons that were learned are quickly generalized and where constructive debates are conducted on obstacles. Attention must be devoted to the work of the communists in the FDJ [Free German Youth], labor union, and ASV [Army Sports Association] organizations, above all, work with youth and its class-oriented development as part of the "FDJ Muster GDR 40." The interests of young people must be given even better consideration. The knowledge, which young people bring with them from civilian life, and their ability to become enthusiastic must be fully utilized.

It is a matter of honor for every party member to prepare the report election meetings and the delegate conferences with tasks accomplished and obligations discharged in an exemplary manner.

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#### INTRABLOC

Shortfall in CEMA's 1987 Agricultural Production Reviewed

23000148 Stuttgart OSTEUROPA-WIRTSCHAFT in German Vol 33 No 2, Jun 88 pp 170-181

[Article by Zdenek Likas: "Agriculture in the CEMA Region in 1987"]

[Text]

#### Abstract

In 1987 agricultural production in the CMEA<sup>1</sup> region stagnated. This was due to shortfalls in plant production which, however, were made up for by an increase in animal output. Yields per hectare were marginally down, animal yields showed moderate improvement. The processing sectors of agriculture remain underdeveloped. In 1987 the CMEA remained a net importer of agricultural products, import of grain remaining virtually unchanged (approx. 35 mn t) [million tons] and meat imports declining (to about 250 000 t net). The Soviet Union was the largest importer, purchasing approx. 30 mn t of grain, 1 mn t of meat and about 5 mn t of sugar. Some new reform measures in agriculture are going to be introduced in the USSR, Bulgaria, the CSSR and in Poland. [This abstract was provided in English in the original text.]

#### Soviet Union

After a high growth rate of gross agricultural production (by 5.1 percent) in 1986, Soviet agriculture almost stagnated last year (+0.2 percent)2. Plant production fell by an estimated 2 percent. The decline was particularly strong in the production of fruit (-31.3 percent), potatoes (-13 percent), and grapes (-10.8 percent). Vegetable and cotton production dropped moderately (by 2 percent and 1.2 percent, respectively). Better results were achieved with sugar beets (+13.5 percent) and sunflowers (+15.1 percent). With a yield of 211.3 million tons of grain, the second-highest since 1978, an even greater shortfall in plant production was avoided. The grain yield per hectare almost reached the level of the 1987 record year (more than 1.8 tons), production of rough fodder was better than in 1986, which made it possible to increase fodder stockpiles.

By our estimate, the total animal production increased by about 2 percent. Meat production showed the greatest increase (+3.3 percent). Production of milk and eggs also rose (by 1.2 percent and 1.7 percent, respectively). Production of sheep's wool registered a decrease of 3 percent. The aforementioned growth was achieved with a smaller number of animals (cattle stock -1.3 percent, pigs -2.8 percent, sheep and goats -1.1 percent), which indicates rising animal performance.

By our computation, 3 this turnaround in animal production from an extensive development to higher productivity already occurred in the 1981-1985 period. While animal stocks between 1975-80 increased annually by 1.1 percent (computed in heavy livestock units), meat production rose by only 0.1 percent annually. In the following years (1981-85), animal stocks rose by only 0.7 percent per annum, and annual meat production increased by 2.6 percent. But animal performance in the Soviet Union continues at the lowest level of all CEMA countries: While one heavy livestock unit in the Soviet Union "produced" only 134 kg of meat in 1985, during the same year one heavy livestock unit in Hungary achieved 449 kg of meat (it must be noted, however, with a more favorable animal stock structure), and in the CSSR and the GDR an output of 282 and 267 kg of meat, respectively (with only slightly differing animal stocks). Feed utilization in Soviet agriculture, with a consumption of approximately 10 kg of grain units (all fodder computed as grain units) for the production of i kg of meat, is also about half as low as in the aforementioned countries (F (, CSSR, GDR).

The population's supply of foodstuffs improved moderately in 1987, but the consumption structure showed a negative development. On the one hand, consumption of animal fats and sugar increased primarily, while the consumption of fruit and vegetables fell because of supply problems. Meat consumption surpassed the level of 1986 (62.4 kg per capita).

Soviet grain imports have hardly changed and will reach approximately 30 million tons during the trading year 1987/88 (from 1 July to 30 June), about half of which are supplied by the United States. Meat imports have remained stable for several years at a level just below 1 million tons; 1987 brought almost no change from 1986 (936,000 tons). The Soviet Union also purchases considerable amounts of sugar every year (1986: 5.2 million tons). Sugar imports in 1987 declined hardly at all despite good sugar beet production, since sugar consumption rose last year.

According to the decision of the Party's Central Committee in October 1987,<sup>4</sup> as of 1988 the agricultural-industrial complex was to receive new impulses. Considerably larger investments than previously were to go to subsequent areas of agriculture. These underdeveloped sectors (foodstuffs industry, storage, distribution of foodstuffs, etc.) lead to great losses of agricultural goods so laboriously produced. The process of migration, too high for Soviet conditions, was to be brought under control through larger investments in the rural infrastructure. It is also planned to provide greater leeway, higher inputs, better services and financial support for the private sector (which accounts for more than a quarter of total agricultural production).

#### Bulgaria

Since 1982—the most successful year so far for Bulgarian agriculture—the agrarian sector is in a crisis. After production decreases every other year, gross agricultural

production in 1987 was more than 6 percentage points below the level of 1982. The 3.8 percent decrease in agricultural production in 1987 is primarily due to a shortfall in plant production (-7.4 percent)<sup>5</sup>.

The long cold spell in the spring affected the planting of corn in particular, which constitutes one-third of all grain production. Shortfalls in bread cereals (wheat containing gluten) are also responsible for the overall drop in grain production by about 30 percent (to approximately 6 million tons); the reasons, among other things, are the low proportion of winter cereal of more certain yield (wheat, barley) in total cereal production, and the lack of cold-resistent monogerm seed for corn cultivation. Production shortfalls are also reported for sugar beets, potatoes, soybeans and fruit.

The deteriorated feed base caused a decline of 1.6 percent in meat production. Egg production dropped slightly (-0.3 percent). Production of milk has practically stagnated (+0.3 percent), while milk output rose moderately by 0.6 percent to 3,467 liters per cow per year. This indicates a small reduction in the number of cows. The stocks of feed animals decreased moderately; with lower meat production, the industrial processing of meat (including slaughtering) remained at the 1986 level.

Food supplies for the population have evidently deteriorated. There were problems particularly with baked goods (among other things, with bread which, because of its subsidized price, is being used by private producers as cheap fodder), fruit and vegetables. Meat deliveries were uneven which at times led to supply problems in some regions. But according to official data, the per capita meat consumption remained at 73 kg.

Within the CEMA region, Bulgaria traditionally is one of the net exporters of agricultural products. Due to the production shortfalls mentioned above, its position deteriorated in 1985 and 1986; for example, Bulgaria had to import a total of 1.8 million tons of grain in 1985, and 1.5 million tons in 1986, which in 1986 affected its trade balance with the West adversely by more than \$100 million. If one assumes that livestock were not reduced drastically, then grain imports in the previous year have probably risen to 2.0 to 2.5 million tons. Feed concentrates, also, probably experienced a moderate increase in imports (1986: 354,000 tons). Important export goods (tobacco and wine) were not affected by the drought last year, so one must expect higher exports of those goods. In order to soften the adverse effect on the trade balance caused by grain imports, exports to the West of live sheep, cheese and vegetables (in part at the expense of keeping its own population supplied) had to be increased. The credit balance in agricultural trade probably has not changed significantly in 1987; while it amounted to 1.0 billion between January and September 1986, it was 1.1 billion leva units of account during the same period in 1987.

One of the important causes of the crisis in Bulgarian agriculture of the 1980's can be found in the investment sector. During the 1960's and 1970's, investments in the agricultural sector had risen, while different priorities were established in the Bulgarian economy since the beginning of the 1980's, which had the effect of lower operating assets in agricultural enterprises; the number of machines used in agriculture (for instance, tractors, combine harvesters) decreased. Deliveries of mineral fertilizer dropped by 22 percent between 1982 and 1986 (from 255 kg to 199 kg NPK pure nutrient per hectare of agricultural acreage); this drop, together with the unfavorable weather conditions, caused an absolute drop in plant production during the same period. Furthermore, the large-scale irrigation installations caused the washing away of humus and excess salination, thus lowering soil fertility.

Further causes of the crisis are the poor organization of work, low capacity utilization, dragging development of work productivity (superannuation and lack of qualification of agricultural workers), and high losses during and after harvesting<sup>7</sup>.

In November 1987, a resolution was passed on "a qualitatively new phase in the development of agriculture," and Bulgarian agriculture was supposed to operate according to these principles as early as 1988. Self-administration and self-financing were supposed to motivate agricultural enterprises to higher outputs. Contracts with suppliers and byuers were to play an important role. The economic and financial autonomy of work brigades in agriculture was to be greatly increased. In a gradual abolition of the state plan and central allocation of inputs, as well as in reforms of prices, taxes and subsidies, the economic strategists see further tools for the upward development of Bulgarian agriculture.

#### CSSR

Although the planned moderate growth in agriculture was achieved in 1987 (+0.9 percent), the production structure has hardly improved in favor of plant production. The goal of having plant production increase faster than livestock production continues. The overly high proportion of animal production (58 percent) in total agricultural production puts a strain on the feed balance which continues to have to be made up by imports of special feed concentrates.

Although plant production in 1987 rose by about 2 percent, primarily because of a very good cereal harvest, it did not make up for the shortfall of 1986 (-2.5 percent). Among the other cultivated plants, a good result was obtained only for rape. Fruit trees were greatly affected by the severe winter and cold spring, which caused a shortfall of fruit production by almost one-third compared to 1986. There was also a considerable decline in the production of potatoes (-11.6 percent), field-grown perennial feed plants (-8.0 percent), and sugar beets (-3.4 percent). Among root crops, the moist summer led to

widespread fungus diseases which could only be controlled insufficiently due to the lack of special pesticides from the West. Also, there are not enough special agricultural machines, and the problems in raising high-quality seeds for potatoes and sugar beets remain unresolved. The increased vegetable production (+7.6 percent) could hardly substitute for the scarce fruit available in the retail trade.

Animal production probably stagnated in 1987 (there are no official data), in which the production of milk and eggs showed moderate decline, that of meat a slight increase. In 1987, the CSSR reduced imports of feed concentrates from hard currency countries and tried to replace these feeds through domestic, lower-quality fodder components. This had a negative effect on animal performance which stagnated among cows (milk output per animal: 3,741 liters annually) and laying hens (egg production per hen: 246 eggs annually), and fell short among feed cattle and pigs. Due to the lower number of pigs, fewer animals were sold to the state. This resulted in a scarcity of pork in the retail trade which was overcome by extraordinary meat imports. The slight increase in meat production and meat imports seem to indicate that the per capita meat consumption in 1987 again reached the so far highest level of 1981 (86.6 kg).

The foodstuff industry managed to increase its production by only 0.8 percent. For this reason, the domestic supply of processed foods (delicacies, packaged foods, etc.) hardly improved last year. The 2.2 percent (real) increase in the turnover of the retail trade is probably due to rising imports of some highly processed foods.

The decreasing grain imports of recent years were further reduced in 1987 (1986: 290,000 tons). Furthermore, an import cutback of feed components with its negative effect on animal performance was observed (1986: 741,000 tons). The scarce availability of fruit in the retail trade was partially mitigated by fruit imports. The importance of beef exports to the West (particularly to the FRG and Italy) as a source of hard currency probably hardly changed in 1987 (in 1986, beef was exported in the amount of \$34 million). The traditional exports of hops and sugar probably declined.

The Czechoslovak Government decided in 1987 to introduce an economic reform in the entire national economy, "step by step." The enterprises are to work according to the principles of self-administration and self-financing, but their latitude for action during the transition phase will be restricted by various limits, normatives, levies, taxes and so-called "societal ordering from enterprises" (in the end result, equivalent to plan directives). In 1989, agriculture is to begin to work according to this system.

According to our computations, based on incomplete official data, <sup>10</sup> the gross agricultural production increased by about 1.5 percent last year. However, the share of agriculture in the national income (as net

production) dropped compared to that of 1986 (11.3 percent) because of increased material consumption; rainy weather during harvesting led to higher fuel consumption for transport facilities and drying installations. The overly high costs of agricultural production, which are still climbing, also remain an unresolved problem.

In recent years, grain (with a yield of 11.5 million tons in 1987) has become a stabilizing factor of overall plant production, which rose by approximately 3 percent. The per hectare yield of grain obtained in the GDR (4.6 tons) is among the highest in the CEMA region, next to the yields achieved in Hungary and the CSSR. Root crops also produced satisfactory results; the production of sugar beets stagnated at a hectare yield of 34.7 tons, and the potato harvest rose by about one-fifth with an improved hectare yield (to 26.8 tons). The rape crop showed a shortfall of about 15 percent. The greatest production decrease (by at least one-fourth) was observed in the GDR, similar to other East European countries north of the Danube (CSSR and Poland), in fruit which was affected by the strong winter and spring frosts in that region. A serious supply shortage of apples, pears and plums can be noted. The supply of thermophile vegetables (particularly tomatoes and cucumbers) has also deteriorated. The production of the most important field-grown fodder plants increased by more than 10 percent. Other rough fodder plants and feed root crops also increased their yields, whereby the entire feed base-together with the aforementioned total yield of cereal (about two-thirds of it is feed grain) has clearly improved last year.

The better domestic feed supply was used more for a reduction of feed imports than for increasing animal production (about 0.5 percent growth). Meat and egg production increased slightly. The production of milk probably dropped moderately, with milk output stagnating (1986: 3,993 liters per cow per year). A better livestock performance was obtained with feed cattle and pigs. The mortality rate of calves and piglets fell. The stocks of all animal categories (excepting sheep) decreased moderately, with the number of feed pigs declining the most (about -3 percent). Although better fodder utilization has been reported for years, according to our computations it has hardly improved since 1976. For 1 kilogram of meat produced, 2.4-2.6 kg of grain are consumed during the entire period (not taking into account the change in stockkeeping grain, and the approximately equal specific consumption of rough fodder, fodder root crops, and feed concentrates).

The turnover of the food retail trade rose by about 3 percent (real). With the population's rise in income by 4.6 percent, it was attempted to partially absorb the monetary surplus with an increasing supply of delicacy products (+7 percent) at a luxury price level. Per capita meat consumption rose by about 2 kg to 99 kg, which continues to be the highest level in the CEMA region. There were problems in supplying fruit and vegetables.

In the past, feed imports had a considerable negative effect on the GDR trade balance with Western countries. In 1986, for example, barley and corn in the total amount of \$134 million, and oil cake for \$23 million had to be imported from the West (excluding inner-German trade). Last year's improved domestic feed base led to a decrease in fodder imports. Grain imports in particular have declined (1986: 2.1 million tons). Imports of feed concentrates (particularly coarse meal and oil cake) have hardly changed (1986: 0.8 million tons), since these components necessary for better feed utilization cannot be replaced by domestic production. Although the GDR continues to be a net importer of agricultural goods, exports of live pigs to the West (excluding trade with the FRG) play an important part (1986: about \$30 million). The GDR exports to Berlin above all fresh meat, milk, and some types of vegetables. The GDR probably became a moderate net meat exporter in 1987.

#### Poland

After Bulgaria, Polish agriculture registered the secondlargest decline in gross agricultural production (-3 percent) last year<sup>11</sup>. Increased specific material consumption led to an even greater decline of net production than gross production. Part of the production shortfall in plant production (-2 percent) is due to inclement weather conditions. Fruit production was particularly hard hit by severe winter and late frosts: It dropped by 75 percent. Oil plants (rape) yielded a crop 8.5 percent lower than in 1986. The potato harvest fell by 7.1 percent, and sugar beet production by 1.6 percent. The largest grain crop in history (26.1 million tons) partially made up for the aforementioned shortfalls. Vegetable production (+5 percent) and hay (+1.3 percent) also showed better results than in 1986.

Although the production of feed grain and rough fodder was higher, animal production dropped by 4 percent. Primarily responsible for this are—chronic problems with increasing animal stocks which (computed in heavy livestock units) are 20 percent below their highest level (1975); in 1987, the number of cattle dropped 3.1 percent and that of pigs by 1.4 percent—shortfalls in potato production which continues to constitute in private agriculture a very important part of the feed base.

Meat production declined by 1.9 percent. There were problems, particularly in raising cattle and pigs. Milk production dropped by 1.3 percent and the number of cows was reduced by 3.7 percent, which means a moderate improvement in milk output to about 3,100 liters per cow per year. Egg production registered a strong shortfall (-10 percent); the traditional raising of laying hens was probably hard hit by the severe winter last year. Furthermore, while egg prices practically stagnated, feed concentrates for egg production have become expensive.

The supply of inputs for agriculture has improved: agricultural machines, by 2.5 percent, feed concentrates by 2.2 percent, mineral fertilizers by 4.7 percent, pesticides by 26.9 percent. Deliveries of tractors declined by

1.2 percent. But the prices for inputs rose faster than those for outputs. This led last year to a real income loss for farmers of 6 percent (from sales to the state at fixed prices).

Food consumption of the population rose (by about 3 percent real), but the structure of nutrition has deteriorated. On the one hand, flour, flour products, fats and sugar showed great growth rates in consumption while, on the other hand, the consumption of fruit dropped. Per capita meat consumption probably held at the level of 1986 (61 kg). Food prices rose by 23 percent last year; that is, by 19 percent in state trade (73 percent share in the turnover of foodstuffs), by 34 percent in private trade, and by 38 percent in local markets. This was primarily due to the 95 percent price increase for fruit.

Agricultural exports to market-oriented countries increased last year, probably of meat (1986: 129,000 tons) and fresh vegetables (1986: 137,000 tons). On the import side, there was a considerable increase for grain to about 2.5 million tons, and to more than 1.5 million tons for feed concentrates; in total, imports for these two items increased by 37 percent.

Within the framework of the second phase of the economic reform in Poland, discrimination (such as delivery shortages of some inputs) and administrative restrictions (lower subsidies, higher tax rates, etc.) for private farmers, who provide 87 percent of agricultural production, were to be abolished within 2 to 3 years<sup>12</sup>. In addition, prices in the agricultural sector, wholesale trade and foodstuff industry were to be regulated more or less according to supply and demand. The monopolistic position of state enterprises (suppliers or customers of agriculture) is to be broken. Buying, selling, transfer and merger of ground is to be simplified in the private sector. A pension insurance for farmers should also be regulated more favorably than up to now. Loans for the development of private agriculture should be provided by the state under better conditions (lower interest rates, not as strictly earmarked for one purpose) than up to now.

## Romania

According to official reporting<sup>13</sup> (even scantier than in the past), in 1987 the development of Romanian agricultural sectors lay again outside the usual framework of CEMA agriculture. Although all countries of the Danube region reported relatively unfavorable weather conditions in 1986 and 1987, Romania for 2 years in a row announced bumper grain crops of over 30 million tons (1987: 31.7 million tons).

This grain crop would have to mean a remarkable increase in the hectare yield by about 40 percent to approximately 4.7 tons annually within 2 years (1986-1987) compared with the average 3.3 tons during the 1981-85 period. Yet mineral fertilizer deliveries (NPK 100 percent pure nutrient) have moderately declined last

year and—with about 90 kg per hectare of agricultural acreage—continued to show the second-lowest level in the CEMA area after the Soviet Union. To obtain similar bumper grain yields, for a production increase of 40 percent Hungary would need about 15 years, using special production systems in grain cultivation which work with inputs of a much higher level than in Romania.

According to a communique, gross agricultural production grew by 2.3 percent, and net production by 3 percent, which exhausts all definite figures about the development of agricultural production in 1987. However, general secretary Ceausescu<sup>14</sup> complained that there are mainly problems in animal production. The feed base was not adequate to the needs of the animals. Setbacks occurred particularly in cattle and sheep raising, where emergency slaughter increased. The primary cause for this was the improper use of insecticides which poisoned rough fodder in particular. This was also the reason for a higher mortality rate among calves and piglets. From this one can deduce a decrease in livestock. Similar problems as with rough fodder also occurred through the use of pesticides with corn, wheat and vegetables (particularly tomatoes) which threatened human health directly (in the case of vegetables) or through the food chain.

The catastrophic food supply of the Romanian population, reported time and again in Western media in recent years, further deteriorated last year. Per capita consumption of rationed meat has declined and is barely half of the consumption in the CSSR, GDR and Hungary. There was a very serious scarcity of practically all important foodstuffs (particularly flour, milk, cooking oil and vegetables).

For several years now, Romania has pursued a policy of loan repayment at the expense of its own population; the total net amount in agricultural trade increased from +\$405 million in 1985 to +\$597 million in 1986. An increase in the agricultural trade balance with market-oriented countries from \$33 million in 1985 to \$156 million in 1986 is primarily due to a tripling of meat and vegetable exports to Western countries in the course of 1986. Based on drastic cutbacks in domestic food consumption, one can assume a further increase in the favorable trade balance for 1987. Compared with January to June 1986, in the first haif of 1987 exports of grain, fruit, cooking oil and honey rose primarily; on the import side, there was an increase in sugar.

Although for the first half of 1987 grain exports of only 0.5 million tons were reported, grain exports for all of 1987—taking into account the official data on grain harvests in the last two years—should amount to at least 4 million tons, or else grain losses (due to insufficient storage capacities) would have to rise enormously, or the specific feed consumption would have had to increase enormously, respectively. According to the crop reports for 1986 (30.3 million tons), silos should be fully stocked

with grain reserves, and the even higher harvest of 1987 (two-thirds as feed grain) could not be used up with dropping numbers of livestock. We assume grain exports in 1987 of up to 1.5 million tons. Meat exports last year may have reached an amount of 250,000 tons net.

# Hungary

Gross agricultural production last year declined by 0.5 to 1.5 percent<sup>16</sup>. But the financial situation of agricultural enterprises has not deteriorated significantly, since profitable non-agricultural activities (construction, services, etc.) in agricultural producer cooperatives and state farms hold a high share in their overall output, and those have risen by 4 percent last year.

Plant production declined by 4 percent, in which grain production declined only slightly to 14.3 million tons (including legumes). Corn, with a yield of 7.2 million tons (-0.8 percent), repeated its best hectare yield in the CFMA area with over 6 tons. Wheat, at a constant hectare yield (4.4 tons), produced a harvest of 5.7 million (-1.6 percent). Production of sugar beets rose by 12.4 percent to 4.2 million tons; the hectare yield, however, remained moderately below the 1981-1985 level (3.9 tons); the sugar content of the beets was higher. Vegetables showed a production increase of 3.6 percent (2 million tons). A clear production increase of 30 percent was registered for soy beans, the increased cultivation of which is an attempt to lower import dependence on feed concentrates from market-oriented countries. The drop in overall plant production is primarily due to shortfalls in sunflowers (-8 percent), fruit (-16 percent), potatoes (-17 percent), and grapes (about -25 percent). A severe winter and cold spring had a negative effect, particularly on apples, pears, apricots and grapes. Because of the dry summer last year, the production of rough fodder probably stayed at the low level of 1986.

Although livestock holdings dropped in the case of pigs (-5.4 percent) and cattle (-3.5 percent) and others tended to stagnate, total meat production rose by 3 percent. This would indicate a higher performance of feed animals (daily growth). The production of pigs and fowl increased, that of cattle stagnated. Milk production rose with a moderate increase in cow herds; milk output changed almost not at all compared to 1986 (1986: 4,771 liters per cow per year). Egg production showed a slight decline.

Total exports of agriculture and the foodstuff industry increased by 2.7 percent, imports rose by 3.8 percent nominal. The overall credit balance in agricultural trade came to 53 million forints. The restructuring in agricultural exports in favor of highly processed foods continued last year. While exports of agricultural goods dropped by 6.4 percent, exports of processed products of the foodstuff industry rose by 8 percent. Of those, exports transacted in hard currencies (two-thirds) increased by 14.7 percent. Particularly fruit, vegetable and confectionary products showed considerable rates of

increase in exports. The traditional meat exports rose by 11.9 percent, whereby Hungary probably exported more than 0.5 million tons last year (90 percent of it for hard currency). Grain exports fell by 30 percent to about 1.5 million tons.

As mentioned before, Hungarian agriculture obtains top yields both in plant and animal production which, however, are very costly. A transition to less intensive, and therefore cheaper, agricultural production would become feasible only once industry can manufacture enough competitive and cheaper products for export in order to substitute for the urgently needed hard currency income from agricultural exports. This is not to be expected in the short or medium term. For this reason, Hungary tries to further expand its agricultural exports (despite low prices on the world agricultural market); by the end of 1990, agricultural exports paid for in hard currencies would have to increase by 50 percent in order to reach a surplus of \$900 million<sup>17</sup>.

Table 1: Selected Indices of CEMA Countries' Agriculture Average Annual Change in Percent

	Agricultural Acreage in 1,000 hectares		Gross Agricultural Production	1987	Plant Production	Animal Production 1987	Gross Agricultural Production	
	(1986)	1976-80	1981-85		1987		1988	1986-90
		per annum Actual Values	p.a.				Target	p.a.
Bulgaria	3,820	0.9	-0.3	-3.8	-7.4	-0.71	5.5	5.1-5.71
CSSR	4,766	1.9	1.8	0.9	2.01	01	1.1	1.1
GDR	4,709	1.2	2.4	1.51	3.01	0.51	1.6	0.31
Poland	14,408	-1.7	2.1	-3.0	-2.0	-4.0	2.6	1.9
Romania	9,974	3.8	3.5	2.3	4.01	0,	5.2	7.5-8.41
Hungary	5,042	2.4	0.7	-1.0	-4.0	1.0	5.3	3.1-4.11
CEMA(6)	42,719	1.1	2.1	-0.2	-0.1	-1.0	3.3	3.1
USSR	227,959	1.6	2.1	0.2	-2.0¹	2.01	5.7	3.41
CEMA(7) Our estin	270,678	1.4	2.1	0.1	-1.3	1.1	4.9	3.3

Sources: National statistics, press reports.

Table 2: Important Types of Plant Production of CEMA Countries

	Grain <sup>2</sup> 1981-85	1987	1987/86	Sugar Beet	s 1987	1987/86	Potatoes 1981-85	1987	1987/86
	p.a. mill. t	mill. t	percent <sup>3</sup>	p.a. mill. t	mill t	percent <sup>3</sup>	p.a. mill t	mill t	percent <sup>3</sup>
Bulgaria	8.3	6.01	-30.01	1.1	0.81	-5.01	0.4	0.41	-10.01
CSSR	11.1	11.7	6.4	7.3	6.9	-3.4	3.6	3.1	-11.6
GDR	10.5	11.5	-2.3	6.4	5.9	01	10.1	12.01	20.01
Poland	22.5	26.1	4.1	15.6	14.0	-1.6	36.6	36.3	-7.1
Romania	21.9	31.7	4.5	6.1	5.81	01	5.9	7.51	0,
Hungary	14.6	14.3	-1.4	4.5	4.2	12.4	1.4	1.0	-1 /.0
CEMA(6)	88.9	101.3	-0.4	41.0	37.6	-0.3	58.0	60.3	-4.0
USSR	180.3	211.3	0.6	76.3	90.0	13.5	78.4	75.9	-13.0
CEMA(7)	269.2	312.6	0.3	117.3	127.6	9.1	136.4	136.2	-9.2

<sup>&</sup>lt;sup>1</sup>Our estimate.—<sup>2</sup>Including legumes.—<sup>3</sup>Rate change computed with figures not rounded off. Sources: National statistics, press reports.

Table 3: Important Groups of Animal Production of CEMA Countries

	Meat <sup>4</sup> 1981-85	1987	1987/86	Milk 1981-85	1987	1987/86	Eggs 1981-85	1987	1987/86
	p.a. mill t	mill t	percent <sup>3</sup>	p.a. mill t	mill t	percent <sup>3</sup>	p.a. in billion	in billion	percent <sup>3</sup>
Bulgaria	0.8	0.9	-1.6	2.5	2.6	0.3	2.6	2.8	-0.3
CSSR	1.5	2.95	1.05	6.5	6.03	-1.35	5.2	2.95	-2.65
GDR	2.0	2.73	1.25	7.4	7.75	-1.55	5.7	5.05	1.15
Poland	2.6	2.9	-1.9	16.0	15.1	-1.3	8.2	7.5	-10.0
Romania	2.46	2.616	Oı	5.3	5.61	0,	7.2	8.91	01
Hungary	1.7	1.81	3.0	2.8	2.81	0.31	4.4	4.21	-2.0 <sup>1</sup>
USSR	16.2	18.6	3.3	94.6	103.4	1.2	73.4	82.1	1.7

Our estimate.—<sup>3</sup>Rate change computed with figures not rounded off.—<sup>4</sup>Dead weight.—<sup>5</sup>State purchases.—<sup>6</sup>Live weight.

Sources: National statistics, press reports.

### Footnotes

- CMEA Council for Mutual Economic Assistance: Bulgaria, CSSR, GDR, Poland, Rumania, Hungary the USSR.
- 2. For all official data, see PRAVDA of 24 Jan 1988.
- 3. See "Animal Production in Socialist Countries 1970-85," FORSCHUNGSBERICHT No 137 (Wiener Institut fuer Internationale Wirtschaftsvergleiche) [Vienna Institute for International Economic Comparisons].
- 4. See IZVESTIYA of 19 Oct 1987.
- For all official data see RABOTNICESKO DELO, 27 Jan 1988.
- 6. RYNKI ZAGRANICZNE, 9 Nov 1987.
- 7. See Ilse Grosser: Die Wirtschaft Osteuropas und der VR China 1980-90 [The Economy of East Europe and the People's Republic of China 1980-90]. BILANZ UND PERSPEKTIVEN; edited by Hans-Herrmann Hoehemann, being printed.
- 8. RABOTNICESKO DELO, 27 Nov 1987.
- 9. For all official data see RUDE PRAVO, 30 Jan 1988.
- For all official data see NEUES DEUTSCHLAND, 23/24 Jan 1988.
- For all official data see RZECZPOSPOLITA, 29 Jan 1988.
- 12. See Program realizacyjy drugiego reformy gospodarcy, Warsaw, Oct 1987.
- 13. For all official data see NEUER WEG. 5 Feb 1988.

- 14. Speech at the expanded plenum of the national council. See NEUER WEG, 21 Feb 1988.
- 15. See Economic Memorandum, May 1987 and August 1987.
- For all official data see NEPSZABADSAG 30 Jan 1988.
- See ZEMEDELSKE NOVINY, December 29, 1987.

# **GERMAN DEMOCRATIC REPUBLIC**

# Minister Describes Efforts to Control Water Pollution

## Text of Interview

23000115 East Berlin NEUES DEUTSCHLAND in German 7 Jul 88 p 3

[Interview with Dr Hans Reichelt, deputy chairman of the Council of Ministers and minister for Environmental Protection & Water Management, by Christa Lier and Reinhard Bauerschmidt: "Major Efforts by the GDR to Protect the Inland Waters"]

[Text] [Question] Recently, at the celebration of the day of people working in water management, you acknowledged the many efforts to protect our inland waters, including the Elbe. What is the importance of that river to our country?

[Answer] The Elbe is both the most meaningful inland waterway and the most important water resource for our national economy, supplying industry and agriculture with fresh water and also furnishing drinking water. After all, its drainage basin, including tributaries such as the Schwarze Elster, Mulde, Saale and Havel, comprises

around 80,000 square kilometers. That is approximately three-fourths of our national territory, and it is an area that is characterized by dense population settlement. Many important cities, such as Berlin, Dresden, Leipzig and Halle, are located here. The annual need for drinking water in this area is 1.6 billion cubic meters, and that need is growing. Part of it is met by surface water that is filtered on the bank and then thoroughly treated in water treatment plants.

# Elbe Basin Is Used Intensively

[Question] The drainage basin is also characterized by a great deal of industry....

[Answer] Important combines and enterprises of the chemicals industry, the energy industry, the cellulose and paper industry, mechanical engineering and electrotechnology/electronics are located here. Each year they need nearly 3.9 billion cubic meters of water, the majority of which is returned as sewage. There are also two lignite mining areas with more than 30 open-cast mines. Up to one-third of the waste water from open-cast n ining is treated for use as drinking water or reused in industry. And don't forget agriculture. More than 2.3 billion cubic meters of water are needed to regulate the groundwater and for the fishing industry, more than half of which goes for irrigation.

Thus, the water in the Elbe basin is used intensively. This means that the rational use and protection of the water in the Elbe is always in the foreground of the environmental policy of the GDR and that it must remain a focal point of the activities of combines, enterprises and cooperatives, organs of the state, and naturally all institutions of the Ministry for Environmental Protection and Water Management.

[Question] What are industry, agriculture and communes doing in terms of caring for our water resources?

[Answer] Dealing with water rationally and protecting it has always been a matter of concern to the socialist society. In keeping with the economic policy of the SED, society focuses its efforts on meeting growing needs at all times with resources that cannot be reproduced, but can indeed always be regenerated.

After all, since 1971, more than 2.8 million dwellings have been built or modernized in the GDR, the production of industrial goods has risen 224 percent, and the amount of irrigated land has more than doubled. The vast majority of these activities took place in the Elbe basin. The need for water here has increased from 5.5 to 7.8 billion cubic meters—which constitutes around 80 percent of the GDR's total water need.

Thus, enterprises are turning increasingly to closed water cycles and building sewage treatment plants. The largest industrial sewage plant in the GDR began operations 2 years ago on the Saale at the VEB Combine Chemical

Works Buna. Each day, it is able to clean a volume of water corresponding to the sewage from the households of around 3 million people. In other VEBs—Synthesis Plant Schwarzheide, "Otto Grotewohl" Boehlen, Lignite Processing Espenhain and Spirits and Yeast Plant Bernburg—and other enterprises as well, sewage plants have assumed responsibilities, predominantly using biological methods of treatment.

Scientific and technical progress makes it possible to increasingly link sewage treatment to the recovery of substances of value and their renewed use in the national economic cycle. At present, it is possible to reclaim as much as 52 percent of substances of value—especially organic substances and heavy metals.

For example, the Buna plant retains substances valued at 13.5 million marks each year, substances that years ago flowed into the Saale and Elbe as pollutants. At the VEB Combine Agrochemicals Piesteritz, more than three times the volume of nitrogen is held back from waste water compared to the situation 4 years ago. At the VEB Chemical Combine Bitterfeld as well, where a great deal remains to be done, the annual volume of ammonia discharged into the water supply was reduced by 1,000 tons in 1987 alone, while phenols were reduced by 143 tons and zinc by 20 tons. At present, an annual reduction of 330 tons of phenols and 5,000 tons of mineral oils being discharged into the water supply has been achieved at the VEB Lignite Processing Espenhain and the "Otto Grotewohl" Boehlen, respectively, compared to the early 1980s.

# More Than 100 Biological Plants Since 1980 for Housing Construction

In order to realize the housing construction program, more than 100 new biological sewage treatment plants have been set up in the cities and communities since 1980.

In our capital, the new North Sewage Plant was created, and the output of the plant in Falkenberg was more than doubled, so that all of the waste water collected in Berlin's sewage system is now treated. At the same time, both of these plants, as well as another one in Muenchehofe, were equipped with a chemical purification stage in order to eliminate phosphates. These plants keep at least 90 percent of all organic pollutants and phosphates from households and industrial enterprises out of the water supply. This will also be achieved in Wassmannsdorf and Stahnsdorf by 1990.

In agriculture, computer-derived recommendations on fertilizer volume and maximum yield programs are paying off. The goal here is to put out mineral and organic fertilizers at the best point in time, so that effects on groundwater can be minimized. This is also furthered by the expansion of warehouse and storage capacities for liquid manure and fertilizer.

These various measures have contributed to the reduction in the introduction of organic substances into the water supply in the Elbe basin within the GDR by more than one-quarter since the beginning of this decade. At the same time, pollutants such as heavy metals, nitrogen compounds and organic trace elements have been kept out of the water. Through this, it has been possible to improve the quality of the water in certain sections of the river, and to maintain the existing quality level in others.

# Sewage Treatment Plans

[Question] Does that mean that you, as minister of Environmental Protection, are satisfied with what has been achieved?

[Answer] Of course not, because there remains a great deal to be done. Thus, we are devoting much attention to the area from the upper Elbe valley to the Torgau region. In this section of the river, there remains, first of all, a sewage problem from industrial enterprises. Secondly, more water must be reclaimed here for agriculture as well as untreated water from filtration on the bank with a quality level corresponding to drinking water treatment. It is for this reason that the Council of Ministers of the GDR decided on measures for sewage treatment at the VEBs United Cellulose Works Pirna-Heidenau, the Pharmaceuticals Plant Dresden and the Urban Region of Dresden, the realization of which has begun.

Other existing projects in the basin include those in the VEBs Photochemical Combine Wolfen, Chemicals Combine Bitterfeld, Combine Leuna Works, Combine Chemical Works Buna, VEB Explosives Plant Schoenebeck, Large Gas Plant Magdeburg, Agrochemical Combine Piesteritz and Cellulose and Spun Rayon Works Wittenberge.

In addition, in conjunction with the further realization of the housing construction program in cities like Leipzig, Stendal, Cottbus and Brandenburg, communal sewage treatment plants have been expanded or new ones have been created. In rural areas, the households of at least 400,000 citizens are to be connected to waste water treatment plants between 1986 and 1990, the majority of which are also located in the drainage basin of the Elbe.

In order to increase the effectiveness of such plants, productive biotechnological processes are being applied increasingly. These include phosphate elimination during waste water purification, the use of enzymes during sludge treatment, short-term surface treatment and pit aeration.

Economic stimuli—such as the sewage introductory payment, which came into being in 1985—are also promoting initiative in the enterprises for better water protection.

Comprehensive legal provisions and strict control over compliance with them by the state water authorities, for which a modern quality control system is continually being expanded, provide an additional guarantee that our program for keeping the water clean will be realized step by step.

[Question] As everyone knows, neither the source nor the mouth of the Elbe is in our country. Its basin extends across several states, so that international cooperation is utterly essential....

[Answer] It is a fact that its basin extends through five countries. About 53 percent of it is in the territory of the GDR, 33 percent in the CSSR, 12 percent in the FRG and the rest is more or less evenly distributed between Poland and Austria.

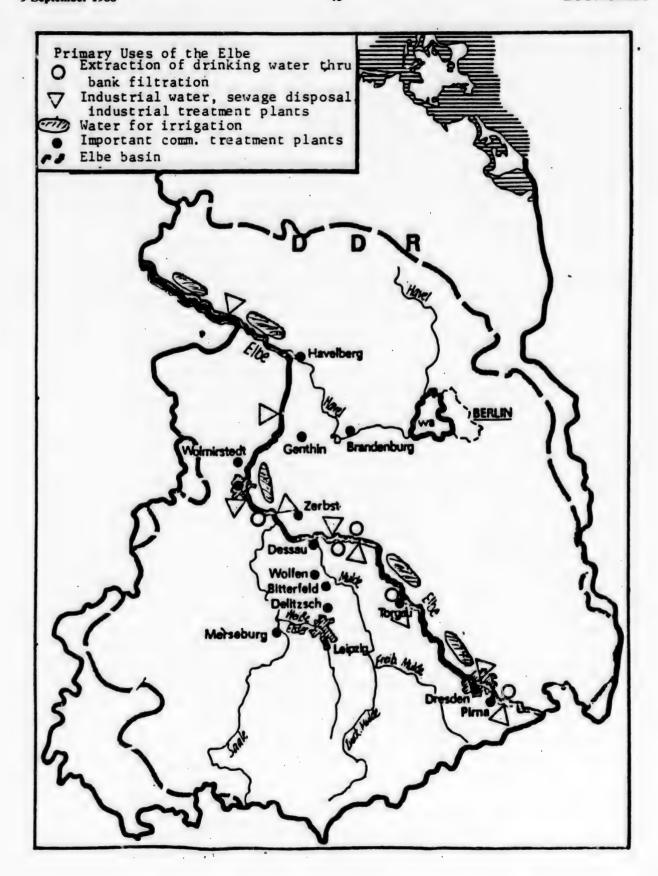
# Cooperation With Other Countries for Transnational Waterways

We have cooperated closely with the CSSR since 1974 of the basis of a government agreement on border waters. Only 1 month ago, the participants in the 11th meeting of the corresponding joint commission reached new agreements on the coordinated use of the Elbe until the year 2000. The goal is to see to it that the quality of the water remains the same or is improved. Another focal point is making sure that certain minimum amounts of water are allowed to drain off. In addition, there was agreement on a more comprehensive draft agreement concerning preventing and eliminating dangerous pollutants in the border waters.

As far as cooperation on the Elbe with the FRG is concerned, one can point to initial expert talks, which took place in 1983. There, the representatives of the FRG noted their special interest in reducing pollution of the river by ammonia, mercury and cadmium. On behalf of the Council of Ministers, I conducted talks in 1984 and 1985 with the competent FRG minister at that time.

Concrete negotiations have thus far not taken place. Useful talks naturally require mutual respect for the principle of nonintervention in internal affairs and a documented willingness on both sides to be good neighbors, through unconditional fulfillment of previously agreed-upon contractual obligations, with respect to the Elbe as well.

In the joint communique on the official visit by the general secretary of the Central Committee of the SED and chairman of the Council of Ministers of the GDR, Erich Honecker, to the FRG in September 1987, it was agreed that the assumption of talks about issues of water protection for the Elbe should be looked into. As recently affirmed at the sixth session of the Central Committee of the SED, a great deal could be tackled here more smoothly in the interest of man if the FRG government



were to show a greater degree of accommodation in resolving fundamental political questions, such as the drawing of the border in the middle of the Elbe.

Included in this is the continuation of negotiations on water protection for the Elbe. The government of the GDR is fundamentally prepared to conduct negotiations on additional measures—which will certainly be complex even in objective terms—and to reach a well-balanced result that is of use to both sides.

But regardless of these negotiations, the GDR has done and is doing everything in its power to further reduce the introduction of pollutants in accordance with national requirements, as I have already explained. There is no doubt that this brings with it improvements in the section of the Elbe in the FRG and in protection of the North Sea.

[Question] Some parts of the foreign media continually allege that the GDR, via the Elbe, is the main pollutant of the North Sea or the main cause of the presence of harmful nutrients in the North Sea. What do you say to that?

[Answer] Such reproaches against the GDR were refuted as faise alarms in the edition of NEUES DEUTSCH-LAND of 2 June of this year. Based on the pollution level in the North Sea, which was documented in the report to the International North Sea Conference of November 1987 in London, and the share of pollutants put into the Elbe by the GDR, our country is responsible for only a small share of pollutants in the North Sea, compared to other countries. For nitrogen and phosphorus, which are important as nutrients for algae growth, the share of the GDR is around 4 percent.

According to information presented by the parliamentary state secretary in the FRG Ministry for Environment, Martin Gruener, before the Environmental Committee of the Bundestag, which was published by DPA on 8 June 1988, the FRG is responsible for introducing 54 percent of the phosphates in the North Sea and 36 percent of the nitrogen. These facts speak for themselves and require no further comment.

FRG Commentary on Interview
23000115 Frankfurt/Main FRANKFURTER
ALLGEMEINE ZEITUNG in German 8 Jul 88 p 12

[Editorial by M.E.: "Dirt on the Elbe"]

[Text] For 4 years now, the leadership of the GDR has not hesitated to link its demand for a shift in the Elbe border from the northeastern bank to the middle of the river with the issue of water protection, in which the GDR is lacking. Minister for Environmental Protection Reichel [as published] has once again promoted this rude package deal in his party newspaper. This is quite literally a dirty argument. However, there are also two good pieces of news. The first is the public admission of

wrong behavior in environmental protection; the regime admits that it has hurt the river. The second is his rejection of the pretense of a political right to the desired border; for 15 years, the East Berlin leadership has attempted to present a credible case for its assertion that the previous occupying powers wanted the border to be in the middle of the river from the very outset, and many politicians in the FRG were willing to accept that for the sake of sweet peace and detente. Now it is clear that the regime knows exactly where the Elbe border has been since 1945. Thus, it cannot be shifted anywhere else by the two states of Germany using offers of compensation.

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# HUNGARY

## Tasks of Reorganized Ministry of Commerce Discussed

25000224 Budapest KULGAZDASAG in Hungarian No 6, Jul 88 pp 3-9

[Article by Deputy Chairman of the Council of Ministers and Minister of Commerce Jozsef Marjai: "Of the Beginning of the Year, of the Ministry of Commerce Tasks"]

[Text] Deputy Chairman of the Council of Ministers and Minister of Commerce Jozsef Marjai addressed the leaders of commercial and tourist enterprises concerning current Hungarian economic policy issues, the tasks confronting the commercial sector and the work of the newly reorganized Ministry. The following is his statement.

We have reached a stage in our social and economic development in which issues and challenges become focused, and responses become mandatory. The government program debated and adopted by the National Assembly in September 1987 provides a critical analysis of the Hungarian social and economic situation, and sets realistic goals. We now have a specific and practical economic policy conception, one which incorporates the possibility of evolution into the stabilization period already. This program is committed to consistently continue reform. Flowing from this commitment, enterprises are assigned a role and responsibility greater than ever before, one, which at the same time is more clearly delineated, and one, in which the enterprises' sphere of action is broader and more independent. All this places a greater responsibility on governmental work in terms of economic management, planning and market development. Our expectations from this government program are clear. We can expect stabilization and continuous evolution, but we cannot except a radical change in every respect within 6 months, 9 months or a year. Such a turnaround, such radical change could come about in any society only as the consequence of a catastrophe.

We know from experience that the transition from a plan-directive economy to a socialist market economy is long, and that there are many difficulties. True, by announcing political stances or general economic policy positions the goal and the requirement could be defined in 10 or 15 points. No one is able to provide an advance prescription for the "how" part of the question, however. It does not help that some people demand that we establish overnight the elements of utopian capitalism. It is difficult to establish a perfectly functioning socialist market economy in a country short on capital, with a limited market, and in the framework of integration which operates with difficulty.

# Realistic Goals, Achievement Constraints

We must recognize that broadly based transformation, stabilization and evolution cannot be thought of without injuring certain interests. These can be accomplished only if the interests of certain strata and groups suffer injuries, moreover, if the difficulties of the entire country and of the economy possibly increase on a temporary basis. This period of transition is not short.

The significance of the government program is that it continuously establishes this great experiment—while setting it in time and space—and expands the means and conditions of implementation.

Despite the fact that the National Assembly adopted the program only recently, the result is not merely the existence of the government program, but also the program's noticeable effects in terms of accelerated reform processes, organizational changes and the formulation of real processes. CC resolutions played a great role in this respect. Flowing from these resolutions, since early 1987 economic policy practice followed the direction projected by the government program, even though in part, and in small steps only.

The most important result is that for the first time after a long period of time, in 1988 we have a realistic chance to achieve the economic goals set for this year. This is the result of a dual development. One the one hand, although tense, the goals and plans are not detached from reality. On the other hand, economic capacity is noticeably gaining strength.

The foreign market is the most sensitive index and measure of our economic capacity and development. Compared to the same period last year, during the first four months of 1988 we reduced our deficit by 330 million dollars within the convertible currency relationship, and managed to almost even out our trade balance. I consider it a realistic goal to expect a 250 million dollar trade volume by the end of the year, based on direct borderline parity. As planned, foreign tourism will produce 350 million dollars. Thus we will be able to reduce our balance of payments deficit to 500 million dollars.

Both the economy and the political sphere have a greater need than ever before to show results. At the same time however, we must not yield to pressures that force upon us illusory and temporary successes rather than real results. This would upset stability and evolution at once for an unforeseeable period of time. The production, service, and commercial spheres, as well as foreign trade and the balance of payments situation need well established, durable results. There now exists a realistic possibility for the formulation and completion of such a durable process if we can resist temptations.

Only economical capitalist export at the proper level and with appropriate dynamics can establish foundations for the tolerable discharge of the indebtedness constraint. Such level of exports permits a level of imports necessary for the continuity of production. It enables us to slow down and to halt the growing technical and technological abyss between capitalist countries and ourselves, to fall in line with technical and technological development thereafter ["then catching up"], and at the same time to strengthen our positions within CEMA. Our presence in the foreign marketplace alone—regardless of whether such presence produces success or fiasco—qualifies our market capacity in an economy, which is far from having fulfilled its domestic market conditions. Structural transformation too can be measured only on the basis of judgment expressed by the foreign market. Maintaining an appropriate export level and structure is the most important condition for increasing enterprise independence and for a system of administration which conforms to the marketplace. The internal market movements during the first quarter of 1988 continue to define in a contradictory manner the possibility of expanding the enterprise sphere of action and the framework of government activities. These phenomena must be seriously considered in terms of economic policy, the regulatory system and the direction of the commercial sphere. In performing this task we must also clearly understand that under today's limited market conditions and competition, leaving real processes to their own, would strengthen the reversal, rather than the evolution of reform processes.

## Further Development or Reversal

Domestic balance must be achieved at a lower level in order to increase exports and to achieve an external balance. The fact that domestic national income utilization in the first quarter of 1988 was higher, and that the state budgetary deficit was greater than planned should serve as a warning in this respect. In March, domestic utilization became more vigorous, the increase of the population's income has accelerated, and investment activities gained strength.

All of these processes must be influenced and shaped in a manner so that the high rate of inflation and the corresponding profit levels do not upset the desired level of domestic and export sales, and that the stimulation of exports to capitalist countries continues. Managing inflation and profit levels alone represents a critical task. All this is to be accomplished within the normal, general framework of the economic regulatory system.

Along with the priority status of convertible assets and exports paid for in convertible currency, the critical

factor in our domestic development is the way in which our economic relationships with CEMA and the socialist countries take shape. The socialist marketplace and our economic relations with the Soviet Union are the chief factor and main determinant of our internal development in the most general sense of that term. In the framework of this global balancing role it is our permanent governmental and enterprise task to establish a continuous, annual trade balance in every socialist relationship. This balance cannot be merely quantitative in character, even though achieving such quantitative balance in a given period represents a serious task. We must formulate an import trading structure which is marketable in the domestic economy, in both the productive and the consumer sectors.

The economic weight of CEMA and of the CEMA member nations acts as a historic determinant with respect to our economy. Therefore, considering our own as well as our partners' interests, we cannot surrender the idea that cooperation with CEMA countries becomes the main repository and moving force of economic growth and development. In terms of need and preparedness, the ongoing reform processes in socialist countries yield a more favorable situation for such cooperation than before. In order of magnitude, quite naturally the actual system of conditions, the possibilities that exist in the real sphere fall behind this expectation today, and will do so for a longer period of time. One must seek out solutions, both at the governmental and the enterprise level, which can be realized in our present days. Transition to new forms cannot be realized completely within CEMA at once. It is in the interest of Hungary and of the CEMA countries as a whole, to begin to realize more developed, more market-oriented forms at the individual enterprise level or with respect to individual projects, wherever such intent and conditions can be established in the framework of bilaterial relations.

Concerning CEMA we must be aware of this: the common market character of this integration is still at a low level. The differences between the countries are far greater than, for instance within the European Economic Community, the Common Market. In order for the CEMA integration to become a common market, some political decisions and a long process of economic transformation is needed. Two processes emerge simultaneously in today's socialist relationship: our partnersprimarily the Soviet enterprises—are interested in, and prepared to establish new forms, at the same time, however, considering the real sphere, one must count on the fact that every socialist country is struggling with significant economic concerns, and that only on the basis of economic interests can any kind of mutually advantageous exchange of goods come about either at the state, or at the enterprise level.

#### In the Interest of Reform

The domestic market is not independent from the external market, meaning that the two relate to each other and exert mutual effects. Our objective is to achieve such quantitative and qualitative economic accomplishment which permits the maintenance and increase of the natural linkage between the domestic and the foreign markets through standard means.

It is our goal that the domestic market, which is still decisively characterized by demand, take advantage of the lower level of consumption, and of increases in the population's savings which can be expected to take place as a result of the new financial structure, and to thus strengthen the competition in supplies.

Similarly, one can expect that along with these conditions the commercial sphere, commerce's effect on production register an increase, and to thus strengthen the production function. Within all this, roles and tasks exist for the governmental direction of the commercial sphere, for foreign trade and domestic commercial enterprises, and for the new Ministry of Commerce.

The establishment of a unified Ministry of Commerce is not without some antecedents. Realization of the unified direction of commerce and trade is possible only on the grounds of results accomplished based on reform processes, and only by continuing those accomplishments. The establishment of the new Ministry of Commerce is a logical outcome of the 1987 government program. The Ministry's place cannot be found in the Ministry itself, but in the entire regulatory system of which the Ministry is part, and within which the Ministry actively, and in part independently influences these processes.

In general, this holds true in regards to every national organization and institution. At the same time it is true, and in the case of the Ministry of Commerce this role is more forceful, because the integrating role of commerce stands out in every country. Thus far, this integrating role was missing from the Hungarian economic mechanism, or it was insufficient, and it is now that we must establish that role or strengthen it. This is a composite process and program, because it simultaneously applies to the areas of the economy, to production, includes all those enterprises and organizations which belong to a branch, includes those more than 500,000 workers who directly conduct this activity. One cannot disregard the fact that we cannot yet talk about a developed, "pure" market. There remained, and independent from our intentions, there will continue to remain three separate main markets. The integration of these determines the organizational structure, the stratification, the functioning, and the enterprise system of relationship of the Ministry of Commerce. Beyond the integration of production and of the entire economy, the interrelationship of commerce and the monetary sphere stand out. In their essence, monetary financial movements and processes take place in the framework of domestic commerce and foreign trade processes.

For all these reasons, even if commerce and trade does not represent the totality of economic policy, they have a definitive place in economic policy, specifically as a system of indicators, and as a factor that affects the process. Accordingly, the new Ministry of Commerce must be in a position to take into consideration, direct and manage these factors. It must also tolerate the clashing of real processes on the one hand, and the organizational structure, on the other. In order to accomplish this we have designed an organizational and functional system which integrates processes, and within that decentralizes decisions by assigning a greater degree of independence to main departments, and a more clear-cut responsibility to under secretaries and assistant ministers. We now must establish the arsenal of instruments which assures the undisturbed functioning of the marketplace, the building of the market, the conditions of balance for the domestic and foreign markets, and the enhancement of the harmonized development of production, commerce and services.

# A New Kind of Relationship Between the Ministry and Enterprises

Not a single country—irrespective of how developed its market economy—can be without a conscious harmony, a common foundation and a mutual influencing between governmental direction and enterprise activities. Unified governmental work, the new, unified Ministry of Commerce now taking shape establishes better founded and more secure organizational and operational opportunities for all this.

In cooperating with enterprises we wish to increasingly stress the economic organizing character. This means that the Ministry, paralleling the strengthening of the actual market conditions, desires to interfere less and less in specific enterprise business transactions. At the same time the Ministry will help enterprises to reach the marketplace through economic diplomacy, with the instruments of economic policy and regulation, with the supervision of the marketplace, by endeavoring to ensure both in Hungary and abroad their competitive position, and by overseeing the purity of the functioning of the marketplace. Even along with limited market conditions we would favor a situation in which individual intervention does not take place, or takes place only to a minimal extent, while at the same time the Ministry should intervene in every instance when such intervention is needed for the maintenance of the normal conditions of the marketplace, and if the community of enterprises so demands.

What are we asking from the enterprises? We request that they represent enterprise interests bravely. This, however, should be done in a manner so that their strategic goals be placed in the forefront. I am convinced that the strategic interests of the community of enterprises and economic policy goals will meet.

We request the enterprises to better understand the goals of economic management, and that they manifest a higher degree of identification with objectives that fall within the Ministry's jurisdiction. We request that together with their own interests, they enhance more the prevalence of the interests of the people's economy. We need an endeavor-and of course, we too face several tasks or a determinant role—by which we can recover from the present so called crisis of confidence, which is fabricated, in part. We need and request that the enterprises modernize their internal enterprise mechanisms, so that in this area there be greater harmony between the operational principles and the internal mechanism of the Ministry and the enterprises. We seek the enterprises'. enterprise managers' assistance in formulating the work program of the new Ministry, primarily in regards to answering the "how" questions. We ask for ideas and suggestions relative to the common economic organizing activity. We request the enterprises to help solidify contractual discipline, to the extent permissible by their means and possibilities.

The broadening of the authority to engage in foreign trade provides a further framework for the strengthening of Hungary's openness. It is our objective that enterprises directly involve themselves in international economic processes, because this is one of the sources of our economic, technical renewal. At the same time I emphasize: conducting foreign trade has grounds only in places where professional organizational conditions are secured. Exercising the authority to engage in foreign trade costs money twice. Damage caused by incompetence or stemming from the violations of rules cannot be paid for by the state. Losses transcend the framework of individual enterprises: they strike the entire economy, all the enterprises. Considering our present, outdated domestic production structure, we cannot expect foreign trade to produce a qualitatively completely different result, some completely new achievement within a short period of time. But it is for precisely this reason that we cannot give up with the idea of properly motivating exports paid for in convertible currency. We must produce the maximum of what we have today, in the fiber of economic constraint and interest!

In terms of its full context and process, enterprise subsidies will be reduced and phased out. We wish to accomplish this so as to place a minimum amount of obstacles in the way of convertible exports, and so as to enhance the balance of our socialist trade, and to avoid action with a retroactive effect.

# To Change Courageously

The Ministry will provide maximum assistance to attract foreign capital, and to establish joint enterprises. In terms of joint enterprise activities one must endeavor to improve the export potential.

For enterprises it is worthwhile to know that the importance of export development contests is increasing. Thrift in imports has an outstanding importance: Only through imports can materials necessary for the continuity of production, and machinery serving technical development be secured. A general purpose in the domestic market is to build the marketplace, and to develop and strengthen competitive conditions.

Enterprises must mold their programs in a manner so as to be responsive to buyer demand and to market requirements. Where necessary, it is worthwhile for enterprises to specialize, and to make courageous changes where the market demands a broadening or modification of the activities. "Domestic commerce" enterprises which are traditionally active in the domestic marketshould increasingly enter the foreign markets. The legal conditions for such entries were partially established late last year. The goal is to make the activities of commercial enterprises which deal with the means of production an integral part of foreign trade. Their supplier-distributor character should cease, and they should assume a greater share of satisfying consumer demand and a greater role in foreign trade activities.

Enterprises should take advantage of the already existing opportunities for association, and they should prepare for other opportunities which will be provided by the new law of association! In order for industrial enterprises to sense directly, or more directly the effects of the domestic market, they must engage to a greater degree in commercial activities—and to do so, they should open shops. For commercial enterprises it is worthwhile to endeavor to make investments related to production, which enhance the improvement of supply, and in some places the liquidation or reduction of shortages.

The modernization of the internal organizations of enterprises must continue. It is an important task of the Ministry to modernize legal provisions pertaining to the so called new operational forms. We will examine new opportunities in the field of long term interest—in this framework the justification of five year cycles regarding the contractual businesses. The long term interest and the attractiveness of investing by entrepreneurs must be improved. The development of small, and in certain areas, medium size business networks should be based primarily on private capital. There is an opportunity for enterprises to sell their shops which cannot be operated in a cost effective manner in their new forms to private entrepreneurs.

It is an important requirement that enterprises maximize their effort to draw in private means into their operations. In order to accomplish this, opportunities are available not only in the form of bonds, but also through regulations providing for limited liability corporations. It is our task to review existing legal constraints which still exist in a few areas, and which restrict competition. We will examine, for instance whether there is a need to restrict the activities of wholesalers,

alternatively, we will consider the extent to which the jurisdiction of the Ministry as an authority can be transferred to council organs.

To develop Hungary's capacity to accommodate foreign tourism there is a need for new capacities, primarily for hotels. This can be realized with the attraction of appropriate foreign credit and operating capital. In order to realize developmental plans, I consider more active work by tourism and lodging industry enterprises, in addition to the government's work, as necessary.

It would be useful if in the interest of taking full advantage of the long term boom that can be experienced in foreign tourism, enterprises dealing with tourism would establish associations involving enterprises and organizations which are part of the people's economy branch. It should be examined how the internal interest and organization of large hotel enterprises could be improved, and how the direct interest of individual units could be increased. If all this is insufficient for an increased success rate, then it would be useful to consider other solutions also.

In the interest of expanding the supply offered by foreign tourism enterprises, it would be appropriate to expand cooperation between commercial and social tourism organs. This can be accomplished by increasing, by taking advantage of the appropriate interest of resort place owners, to utilize enterprise, cooperative or institutional resorts for purposes of foreign tourism, where such use is in the interest of the present custodians or owners.

In order to raise the standards of foreign tourism and of hospitality, it is indispensable that the culture of the environment be substantially improved. Experience shows that today this is the greatest problem faced by that trade, whereas the resolution of this matter is not primarily a money issue. Good housekeeping ["order"] well reflects the standard of leadership in foreign tourism enterprises, offices, shops and service organizations. There is much more to Hungarian hospitality than what we are taking advantage of.

But all this holds true not only in regards to foreign tourism. This is a principle which also prevails in a much broader sense. Human conduct, accomplishments, the decency and standard of work in and of themselves are factors which represent increased accomplishments in society, in the economy as well as in commerce. Half of Pensioners, 40 Percent of Earners Live Below Social Minimum

25000220a Budapest HETI VILAGGAZDASAG in Hungarian 9 Jul 88 p 58

[Interview with Marton Buza, director of the Theoretical Research Institute of the Trade Unions, by Julia Gati: "Too Much To Starve To Death..."; date and place of interview not specified. First paragraph is HVG introduction]

[Text] According to data published last week the per capita subsistence minimum for pensioner families in Hungary last year was 2,640 forints, and 2,850 forints per month for families with an active earner—at least according to the calculations of the Central Statistics Office. The so-called "minimum of socially justified needs" for these categories is a sum about 20 percent higher. The question arises: How much can this amount of money buy at today's prices? How many live on this amount or less and what conclusions can the trade unions draw from all this? We asked Marton Buza, director of the Theoretical Research Institute of the Trade Unions, about this.

[Question] It has been an open secret in professional circles that for years the KSH [Central Statistics Office] has been calculating a subsistence minimum and a social minimum. But it was forbidden to talk about this in public. Sandor Nagy, the new first secretary of the SZOT [National Council of Trade Unions], made this long hidden calculation public in his first statement. Did they wait until they were convinced of the correctness of the calculations, and knowing this for certain did they dare to go before the public?

[Answer] We are not at all convinced of the correctness of the calculations. We are not even sure if there is a subsistence minimum and social minimum index free of subjective elements. Times simply change. Earlier this concept was considered a category applicable only to capitalist societies because—the political leaders felt—there is no poverty in socialism and the standard of living is high.

[Question] What are those goods today which are necessary for the subsistence minimum and what are those necessary for the social minimum?

[Answer] The subsistence minimum is the sum for which one could buy the foodstuffs necessary for mere biological survival, a change of clothes, cleaning materials and medicines and could maintain a room and a half dwelling, keeping it at a temperature of 15-16 degrees Celsius. The minimum for socially justifiable needs is higher in that the sphere of foodstuffs is expanded by, for example, spices and sugar, some dwelling maintenance expenses are included, several changes of clothes, listening to a radio and keeping the room at a temperature of 18

degrees. At least we worked with such data in 1980 when we tried to calculate, independently of the KSH, a subsistence minimum and a social minimum.

[Question] I am not convinced that the costs listed for the social minimum reach even the expenditures sufficient for mere existence in the eyes of people. Today much more than this belongs in the minimum for "socially justified needs."

[Answer] As long as there are such calculations there will be such debates. Our calculations too produced a larger sum than that calculated by the KSH. We would like to extend the sphere of these calculations beyond the pensioners to those starting their careers and to skilled workers between 40 and 50 years of age, so we would like to ask an expert body made up of social scientists and statisticians to conduct a scientific debate and make proposals as to what goods and services should constitute a base for the calculations.

[Question] For example, the present subsistence minimum calculated for families with active earners does not contain the costs of getting a dwelling. This significantly distorts the data.

[Answer] That is exactly why we would like to calculate a subsistence minimum for those beginning careers and for middle-aged skilled workers, for this is when they must get a dwelling or maintain children or help them to get a dwelling.

[Question] So you want to take your own path and not depend solely on the KSH.

[Answer] Such a survey, collecting such data, is extraordinarily expensive so it would be rational to cooperate with the KSH and influence their computing and data collection methods. It is my personal opinion that in addition there is or would be a need for separate, trade union calculations.

[Question] Even if we accept the KSH figures, lower than your own, it turns out that last year at least half of the pensioners, more than a million people, lived on less than the social minimum! And according to representative surveys about 40 percent of the households with active earners live below the social minimum. Or would so live if many did not work in addition to their main work time. What conclusions does the SZOT draw from this?

[Answer] The conclusions are not of recent origin for every year there is a debate between the SZOT and the government about how much one must or should raise the pensions—for those above 70 and the level for a minimal pension—and how much compensation there should be for the effect of price increases. As for the money of active earners, I am convinced that, taking into consideration the present employment situation, we should switch to a 1-1.5 earner family model, that is an

earner should be able to support his family on the income earned in an 8-hour day. So it will be necessary to raise wages to such a level, especially for those beginning their careers. Obviously this will not happen overnight, but these basic principles must be realized within the framework of the wage reform. I am convinced that the classic demand "three times eight" must again be put on the banner of the trade union movement. One must be able to earn in the main work time what is needed to renew the power to work, and this includes the possibility of supporting a family.

# Social and Subsistence Minimum in 1987, According to Economic Activity, in Forints (Data From the Central Statistics Office)

For families with an active earner: Social minimum per family, 11,310; social minimum per capita, 3,480; subsistence minimium per family, 9,260; subsistence minimum per capita, 2,850.

For families without an active earner (pensioner families): Social minimum per family, 4,960; social minimum per capita, 3,160; subsistence minimum per family, 4,150; subsistence minimum per capita, 2,640.

For all families combined: Social minimum per family, 9,340; social minimum per capita, 3,410; subsistence minimum per family, 7,700; subsistence minimum per capita, 2,810.

# Social and Subsistence Minimums for Families With an Active Earner in 1987, in Forints

One parent with child: Social minimum per family, 7,760; social minimum per capita, 3,880; subsistence minimum per family, 6,340; subsistence minimum per capita, 3,170.

Urban couple without children: Social minimum per family, 9,180; social minimum per capita, 4,590; subsistence minimum per family, 7,700; subsistence minimum per capita, 3,850.

Village couple without children: Social minimum per family, 7,560; social minimum per capita, 3,780; subsistence minimum per family, 6,040; subsistence minimum per capita, 3,020.

Urban couple with one child: Social minimum per family, 12,240; social minimum per capita, 4,080; subsistence minimum per family, 10,260; subsistence minimum per capita, 3,420.

Village couple with one child: Social minimum per family, 10,170; social minimum per capita, 3,390; subsistence minimum per family, 8,130; subsistence minimum per capita, 2,710.

Urban couple with two children: Social minimum per family, 14,320; social minimum per capita, 3,580; subsistence minimum per family, 12,040; subsistence minimum per capita, 3,010.

Village couple with two children: Social minimum per family, 11,880; social minimum per capita, 2,970; subsistence minimum per family, 9,520; subsistence minimum per capita, 2,380.

Couple with three children: Social minimum per family, 14,450; social minimum per capita, 2,890; subsistence minimum per family, 11,750; subsistence minimum per capita, 2,350.

# Social and Subsistence Minimums for Pensioners in 1987, in Forints

Living alone in a city: Social minimum, 3,760; subsistence minimum, 3,270.

Living alone in a village: Social minimum, 3,170; subsistence minimum, 2,600.

Urban couple: Social minimum per family, 6,440; social minimum per capita, 3,220; subsistence minimum per family, 5,580; subsistence minimum per capita, 2,790.

Village couple: Social minimum per family, 5,620; social minimum per capita, 2,810; subsistence minimum per family, 4,600; subsistence minimum per capita, 2,300.

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# Economist Notes Problems With Planned Partnership Law

25000220b Budapest OTLET in Hungarian 16 Jun 88 pp 14-15

[Interview with Gyorgy Matolcsy, associate of the Financial Research Stock Partnership, by G. Tamas Koranyi: "Dialogue on the Partnership Law"; date and place of interview not specified. First paragraph is OTLET introduction]

[Text] Gyorgy Matolcsy was born in Budapest in 1955. He graduated from the University of Economics, Industrial School, in 1977. He then worked as an enterprise organizer and from 1978 to 1986 he dealt with organizational questions and enterprise regulators in the Ministry of Finance. He participated in preparation of the bankruptcy law and new enterprise leadership forms. Since 1986 he has been a scientific worker at the Financial Research Institute and its legal heir the Financial Research Stock Partnership. Two of his books—"The World of the Stock Exchange" and "Dialogues About Property"—will appear in the near future.

[Question] In Hungary laws and regulations generally take their final form in the course of complex harmonization—or more precisely compromise. For months the

various drafts wander between various ministries, social organizations and expert bodies and the version coming before the parliament or government is formed as the result of innumerable modifications. Now a draft of the partnership law is passing through this maze. Has there been a retreat at some point, compared to the original proposals, in the course of the negotiations?

[Answer] Although the new law is really very liberal and bravely breaks a number of ossified ideological tabus it does represent a retreat on four points compared to the 1875 commercial law still in effect. All four can be found in Chapter 7, pertaining to stock partnerships ["reszvenytarsasag," usually abbreviated "rt," can be translated as "stock corporation," "share company," or "joint stock company"]. This chapter was the most modified in the course of harmonization. According to the draft a private person also can be a founder of and a shareholder in a stock partnership, but a special Ministry of Finance permit will be needed for both. Not only is this technically unrealistic—for a share is a freely negotiable instrument payable to bearer—but if it were applied it would make impossible one of the fundamental goals of the entire law, having the savings of the populace flow through the stock market into the economy. But I see the same sort of retreat in the increase in stock partnership base capital or the starting capital needed to found a kft [limited liability company], in the taxation regulations and—an even more important question—in the case of the obligatory one third worker representation prescribed for the supervisory committee of a stock partnership.

[Question] From the trade union viewpoint it is understandable that they tried to transplant into the partnership law the new enterprise leadership forms hardly 3 years old....

[Answer] But this could lead to a bastard soution. The draft wants to give the supervisory committees decision rights in important, strategic questions, essentially as opposed to the general meeting of shareholders, in contrast to the partnership laws of most countries. In general a supervisory committee is an auditing organ—as in the 1875 commercial law—which, representing the owners, supervises the everyday affairs of the company. But the directors make the decisions or the general meeting does in strategic questions—increasing the base capital, distributing dividends, combining with another company, ending some activity. But the draft—at the initiative of the trade unions—prescribes one third worker representation in the supervisory committees of companies employing more than 200 people, and the worker delegates get practically a veto right in selecting the members of management and the directorate. This reduces the interest of the investor of capital and forces long-term ownership interests into the background.

[Question] Participation, the participation of the workers, is widespread even in the FRG and in the Scandinavian countries, and it appears that this does not hinder effective operation of the enterprises.

[Answer] The problem is not with the right of the workers to have a say, the problem is that short-term wage interests will dominate in this—as was shown in the operation of the enterprise councils. It might represent a solution if the workers themselves had an interest in the management of the enterprise as shareholders. In the United States, for example, there is a so-called worker stock fund at 7,000 enterprises; this is not the personal property of individual workers—they cannot take it with them when they leave-rather it is the property of the collective and through the trade union they can have a say in the guidance of the firm. The law being prepared creates a possibility for this too in that it allows enterprises being formed into rt's to distribute among its workers five percent of the shares, free of charge. Anyway, if the principle of one third worker participation has already gotten into the law then why doesn't it apply only to enterprises with more than 500 workers? Heretofore enterprises with 200-300 employees did not have an enterprise council. It would be a better solution if the general meeting could determine the decision sphere of the supervisory committee.

[Question] By how much will they increase the minimal base capital?

[Answer] The 1875 commercial law did not prescribe minimal base capital for stock partnerships, but the registry court now expects 5 million forints. The draft increases this to 10 million, and adds that of this at least 5 million forints must be available as ready cash at the time of the founding. (In general one must pay in 30 percent of the nominal value of shares subscribed to at founding.) At present there is a minimum of at least 500,000 forints for the starting capital of limited liability companies; the draft sets this at one million, which makes it difficult for gmk's [economic work associations] and pit's (civil law associations) to transform themselves into kft's. These restrictions are justified as protection for creditors, but in reality this is very doubtful, for the obligations undertaken by a company do not depend on its base capital.

[Question] Stock partnerships pay dividends out of taxed money. A dividend paid on privately owned stock increases personal income, so in theory it is taxable. So are the dividends double taxed?

[Answer] Yes, and for this very reason investments are encouraged by various tax concessions in most Western countries. Of course, in developed countries the enterprise profit tax is substantially lower than for us (it is hardly 20 percent in the United States, for example, while it is 50 percent in Hungary). Unlike a bond, stock brings income to its owner not primarily through the dividend but rather as profit on the exchange price. This profit enjoys a significant tax concession everywhere (in Sweden, for example, only 40 percent of it is computed into the tax base) and this recognizes the risk to the investor. But the concession goes only to those who own the stock for a longer time—in Sweden, for example, at

least 2 years—since they do not want to encourage speculation. Here, similarly, the draft attaches a 20 percent resource tax to a bond, but in order to resolve the initial uncertainty it would be useful to make continually owned stock entirely tax free for the first 2-3 years.

[Question] How much popular capital will the new regulation be able to mobilize? With the present 13-16 percent OTP [National Savings Bank] interest and the 17 percent gross bond interest and taking taxes and risk into consideration only a dividend of at least 20 percent would be attractive, and this would require a property proportional enterprise profit above 40 percent.

[Answer] This really is an open question. The most important factor is the degree of inflation, and the inflationary expectations for the years ahead. The decade of the 1970's proved that with inflation over 8-10 percent stock is not a really attractive form of investment. But a desire to invest can be increased by tax concessions.

At present an increasing proportion of popular savings precipitates in the form of real estate, precious metals and art objects, and this should be changed somehow. And finally, the size of the dividend depends on how the starting property of enterprises being transformed into stock partnerships is revalued.

The book value of Hungarian enterprises substantially exceeds the amount which their stock would come to because their property proportional profit—taking into consideration the 50-percent enterprise profit tax—is very low. (And this is not a Hungarian peculiarity, it is so even in the United States, even if there is not so great a difference between the two sorts of valuation.) If the initial property is drastically down-valued it will be possible to sell the shares.

[Question] But this would mean a significant loss for the state as owner....

[Answer] But only an apparent loss, because Hungarian productive capacity today is not worth as much as the book value of it. We have large enterprises with fixed assets worth tens of billions which operate at a loss or with a minimal profit of a couple hundred million. So in no case are they worth ten billion. The national property must be brought down to its true, market value; we will not achieve much with paper billions. But even under favorable conditions it is not probable that private investors will flock to the Hungarian stock market of the future. According to estimates—naturally uncertain ones—the ratio of private shares in the first 3 years will hardly exceed five percent of all stock capital. We must not forget that even today there are shares worth more than 50 billion, and almost two thirds of them are owned by the state.

[Question] If by magic every enterprise in the competitive sphere were transformed into a stock partnership within a few years, what volume of shares would this represent?

[Answer] Taking the profit of the enterprises and the interest levels into consideration, Sandor Kopatsy has calculated that this sum would very approximately come to about 600 billion forints, somewhat more than a half year's national product.

[Question] Who could absorb this great volume?

[Answer] The largest participants in developed stock markets are missing from the Hungarian financial structure. I am thinking of investment banks, associations of private investors (which collect and invest small savings in various forms—stock, bonds, treasury certificates, real estate, foreign exchange) managed by a bank, pension funds and various segregated state funds.

[Question] Pension banks operating like a fund are increasingly mentioned in connection with the reform of social insurance now on the agenda. Might these have shares in some enterprises?

[Answer] Many forms are possible. For example, one could imagine a domestic version of the swap deals used in managing the debt of indebted developing countries. The enterprises in the competitive sphere have long-term debts of more than a hundred billion to the commercial banks, and a significant portion of these classify as precarious. In the meantime the banks have a burning need for money, because they cannot make loans because of the low level of enterprise deposits. If the pension funds should take these frozen obligations for a part of their nominal value, let us say for 60-70 billion, they might be transformed into owner shares, so they might maintain themselves from dividends. Of course, the basic condition for such a deal is a devaluation of the presently unrealistically high enterprise property to the level of actual profitability.

[Question] If the partnership law goes into effect which aspects will be most obvious to the populace?

[Answer] Most certainly the limited liability company will the the form which will spread widely. Small entrepreneurs—because of their conjoint material liability—are rather cautious, not inclined to put their capital into either private undertakings or gmk's. But the kft could be more attractive than real estate or instruments with fixed rates of interest. Of the stock partnerships only the smaller, generally provincial, firms will be attractive for the pc pulace. For example, we are now studying the possibilities of transforming the Brick and Tile Industry Trust into rt's. The small, provincial brick factories generally do not make a profit, but the related activities—trading in and transporting building materials—make a very real profit for those dealing with them. They might be potential shareholders of a good many smaller

stock partnerships with capital of several ten millions. The new regulation will have an indirect effect on the spread of economic openness. The companies will have to report on their activities before public opinion. And this will move the authorities also toward greater openness—as was proven by the experiences of the banking world last year.

8984

# **POLAND**

# Order Clarifies Income Tax Exemptions for Economic Entities

26000572 Warsaw DZIENNIK USTAW in Polish No 2, 28 Jan 88, item 3 pp 34-37

[Executive order No. 3 of the Council of Ministers dated 11 Jan 88 on conditions and procedures governing income tax exemptions]

[Text] Pursuant to Article 51 of the Decree of 26 February 1982 on Taxing Entities of the Socialized Economy (DZ. U., Item 77, No 12, 1987) and pursuant to Article 13, Paragraph 2 of the Decree of 31 January 1985 on Small-Scale Industry (DZ. U., Item 11, No 3, 1985, and Item 181, No 33, 1987), the following is hereby ordered:

- Paragraph 1. 1. This Executive Order defines the principles for and scope of the granting of income tax exemptions to economic entities.
- 2. Economic entities are construed as state enterprises, commercial joint-stock companies in which the Exchequer or entities of the socialized economy own a share of more than 50 percent of plant capital, cooperatives and their unions, and the political, social, and occupational organizations defined in Article 1 of the Decree of 26 February 1982 on Taxing Entities of the Socialized Economy (DZ.U., Item 77, No 12, 1987).
- Paragraph 2. 1. Income tax exemptions are granted to economic entities selling for export products manufactured by themselves or deriving from procurements or collections, as well as material and nonmaterial services.
- 2. Export sales are construed as sales:
- Classified as exports in acordance with the rules governing statistics on foreign trade;
- Of transportation and communications services, as well as of tourism, pursuant to the rules defined by the Minister of Finance.
- 3. Tax exemptions for export sales in transaction prices are determined as follows:
- 1) For exports of goods and services, excepting those specified in the Supplement to this Executive Order:

- a) 10 percent of the value of hard-currency exports;
- b) 6 percent of the value of exports to the Union of Soviet Socialist Republics and to countries in Payments Area 2 ["socialist" countries], except exports specified in Point a);
- c) 3 percent of the value of exports in cases other than those defined in Points a) and b);
- 2) for exports of goods and services specified in the Supplement to this Executive Order:
  - a) 6 percent of the value of hard-currency exports;
- b) 4 percent of the value of exports to the Union of Soviet Socialist Republics and to countries in Payments Area 2, except exports specified in Point a);
- c) 2 percent of the value of exports in cases other than those defined in Points a) and b).
- 4. For exports of construction and related services, tax exemptions are computed according to rates defined in Section 3 as a function of the amount of hard currency sold to the appropriate hard-currency bank.
- 5. For exports of industrial services consisting in the reprocessing of raw and other materials provided by foreign clients, the rates of tax exemptions referred to in Section 3 are increased by 50 percent.
- 6. For subsidized exports, except the uniform agricultural subvention, tax exemptions are reduced by 25 percent; this principle is binding as of 1 July 1988.
- 7. Income tax exemptions for export sales are computed in transaction prices, which represent the product of export value in foreign currencies, as shown on F.E. and K.F.E. invoices (f.o.b. at Polish port or franco at Polish frontier) and the exchange rates of foreign currencies binding on 1 January of the fiscal year, and in the case of exports of construction and related services, on the basis of a bank document certifying that convertible currencies have been sold to the appropriate hard-currency bank.
- 8. Income tax exemptions do not apply to:
- 1) Internal exports [dollar stores], except exports performed with the approval of the Minister of Foreign Economic Cooperation pursuant to Paragraph 9, Section 1, Point 4, of the Resolution of 8 December 1986 of the Council of Ministers Concerning Detailed Principles for the Formation and Utilization of Retained Foreign Exchange Earnings from Hard-Currency Income and from Clearinghouse Operations Within Payments Area 2 (MONITOR POLSKI, Item 266, No 35);

- Exports handled by foreign trade organizations, with the exception of exports of the products, operations, and services performed by these organizations themselves;
- Items derived from procurements and collections, if the providers of these items are correspondingly entitled to income-tax or lump-sum tax exemptions;
- 4) Services consisting in the dispatching abroad of experts who are remunerated by the foreign client;
  - 5) Coal (SWW 01 group).
- The funds accrued from income tax exemptions may be transferred by:
- manufacturers of final products to their suppliers or to cooperating foreign trade enterprises;
- 2) entities selling hard currencies earned from construction exports, to the enterprises cooperating with them;
- entities selling for exports items deriving from procurements and collections, to the entities supplying these items.
- Paragraph 3. 1. Income tax exemptions are granted to economic entities which complete within a period not exceeding 5 years an investment project or a modernization project (hereinafter referred to as "investment") with the object of:
- environmental safety or improvements in safety and hygiene of labor;
- applying the research accomplishments ensuing from the implementation of government orders relating to particularly important tasks of developing science and technology;
  - 3) increasing exports.
- 2. Income tax exemptions for implementing the investments defined in Section 1 are granted in the amount of 30 percent of the cost of these investments, provided that they do not exceed 25 percent of the income tax due for the fiscal year.
- 3. If the actual cost of investments exceeds their planned cost, tax exemptions are reckoned on the basis of planned cost upon crediting correspondingly any increases in the cost of construction materials and services.
- 4. The tax exemptions referred to in Section 1 also apply to the economic entities participating in the cost of joint investments, in an amount proportional to their financial participation.

- 5. The economic entities eligible for the tax exemptions referred to in Section 1 notify the concerned tax office of their intention to implement investments, upon appending a commentary from the appropriate bank department and providing the following information:
  - a) legal basis for the tax exemption;
  - b) purpose of investment and its planned effects;
  - c) planned cost of investment;
- d) timetable for commencing and completing the investment;
  - e) amount of tax exemption due.
- 6. The concerned tax office is obligated to verify the validity of the abovementioned notice and of the information it contains, and in the event that inaccuracies are found, it is obligated to return the notice and ask for supplementary information, or to notify the entity that it is not eligible for a tax exemption.
- 7. Within a month after the completion of the investment, the economic entity notifies the concerned tax office that the assumptions reported in its notice have been translated into reality and specifies the tax exemption it is eligible for.
- 8. The concerned tax office:
- verifies the validity of the calculation of tax exemption;
- 2) disallows the tax exemption if the economic entity exceeds the deadline for completing the investment as referred to in Section 5, Point 4.
- 9. The concerned tax office may decide to disallow the income tax exemption even while the investment is still being completed if it finds that the assumptions provided in the notice referred to in Section 5 are not being followed.
- 10. In cases referred to in Section 8, Point 2, and in Section 9, the economic entity is obligated to pay interest on tax due for the delays, pursuant to the regulations governing tax obligations, for the period from the crediting of an unearned tax exemption until the day the proper amount of tax is paid.
- Paragraph 4. 1. The socialized petty-industry entities defined in Article 1 of the Decree of 31 January 1985 on Petty Industry (DZ.U., Item 11, No 3, 1985, and Item 181, No 33, 1987), entities of the socialized retail trade, and cooperatives and cooperative unions engaging in commercial activities, are eligible for income tax exemptions for implementing measures that consist in the construction of:
- small bakeries, slaughterhouses, grain mills, and other food-industry facilities relating directly to consumer services and supplies and the needs of agriculture;

- 2) fruit and vegetable processing plants as well as warehousing facilities for fruits, vegetables, and forest products;
  - 3) consumer service establishments;
- 4) facilities for the repair and maintenace of agricultural machinery and for manufacturing agricultural implements, as well as facilities providing technical services to agriculture;
- 5) construction materials plants operating on the basis of local and secondary or waste materials;
- facilities for the production (recovery) of fertilizer lime.
- 2. The tax exemption consists in exempting from income tax the profits, as isolated in bookkeeping, derived from the activities of the economic entities referred to in Section 1, Points 1-6, for a period of not more than 10 years following the completion of the investment projects, and in an amount not greater than 50 percent of the investment outlays.
- 3. The tax exemption referred to in Sections 1 and 2 also applies for the adaptation or reconstruction of existing facilities owned by entities of the socialized economy or acquired by them, if such adaptation or restructuring results in activating the new facilities referred to in Section 1.
- 4. The economic entities eligible for the income tax exemption referred to in Sections 1 and 2 notify the tax office of their intention to implement investment projects on providing the information specified in Paragraph 3, Section 5, and supplementing it with a positive recommendation from the local basic-level office of state administration classifying the investment project among special priority projects (Paragraph 5 of the Resolution of 19 May 1986 of the Council of State and Council of Ministers Concerning the Development of Socialized Petty Industry Entities, MONITOR POLSKI, Item 94, No 14) and certifying the worthwhile nature of that project.
- 5. The provisions of Paragraph 3, Sections 3 and 6-10 apply correspondingly to the exemptions referred to in Sections 1 and 2 of this Paragraph.
- 6. Utilizing the exemptions referred to in Sections 1-3 precludes utilizing similar exemptions granted by Paragraph 10, Section 2, of the Resolution of 30 June 1985 of the Council of State and Council of Ministers on the Reconstruction and Development of State Local Small-Scale Industry Enterprises (MONITOR POLSKI, Item 144, No 19).

Paragraph 5. 1. Income taxes from:

1) state local small-scale industry enterprises;

- 2) labor cooperatives and their unions; and
- 3) craft cooperatives,

are reduced by an amount corresponding to 10 percent of their audited balance-sheet profits (balance-sheet surplus).

- 2. Income tax from state enterpises providing technical services to agriculture is reduced by an amount corresponding to 7 percent of their audited balance-sheet profits.
- 3. The economic entities specified in Sections 1 and 2 forfeit the right to lower income taxes in the event that they allocate for their development funds (resource fund, investment fund, development fund, and reserve fund) less than 55 percent of their balance sheet surpluses.
- 4. The reduction in income tax referred to in Sections 1 and 2 is in addition to the other income tax exemptions specified in this Executive Order.

Paragraph 6. The provisions of Paragraph 5 also apply to entities which independently prepare their balance sheets, for which profits for distribution (balance-sheet surplus) are divided separately and which pay income tax to the [state] budget.

- Paragraph 7. 1. The entities mentioned in Paragraph 5, Sections 1 and 2, and in Paragraph 6 may reduce their monthly income tax payments by the amount credited to them pursuant to this Executive Order; the final clearing of accounts is performed annually on the basis of the yearly balance sheet.
- 2. If the entities referred to in Section 1 do not meet the conditions for elibility to a reduced income tax, they are obligated to pay interest on delays in their tax payments, pursuant to regulations governing tax obligations, for the period starting with the crediting of the unearned exemption and ending with the day the tax is paid in the correct amount.
- Paragraph 8. 1. Economic entities are granted income tax exemptions for selling products certified with state quality labels "Q" and "1."
- 2. The exemptions referred to in Section 1 amount to:
- 6 percent for products certified with the "Q" label;
   and
  - 2) 3 percent for products certified with the "1" label,

meaning 6 and 3 percent, respectively, of the value of sales of these products after deducting the paid turnover tax.

- 3. The income tax exemptions for products referred to in Section 1 do not apply if the appropriate audit agency finds that the quality labels on these products, when sold, do not meet the requirements of quality certification, or in the event that said certification is rescinded.
- Paragraph 9. 1. Economic entities are eligible for the following income tax exemptions for providing consumer services and property supervision services:
- 6 percent of the value of sales of consumer services and property supervision services when paid directly by consumers, as well as of services provided under warranties:
- 2) 4 percent of the values of sales of consumer services and property supervision services in all other cases.
- 2 The exemptions referred to in Section 1 are granted:
- 1) upon excluding from the value of sales the materials and spare parts credited to the customer and specified in the invoice;
- on condition that at least 30 percent of these exemptions is earmarked for investments in consumer services.

Paragraph 10. 1. State enterprises or organizational units of state enterprises which gained the status of defense-industry enterprises by engaging in the activities defined in the Executive Order of 30 November 1981 of the Council of Ministers on the Scope of Applicability of the Decrees on State Enterprises and on Workforce Self-Government at State Enterprises to State Enterprises Performing Wholly or Mainly Tasks Relating to the Needs of National Defense and Security and to the Organizational Units of Other Enterprises Engaging in These Tasks (DZ. U., Item 3, No 1, 1982; Item 41. No 10, 1984; and Item 39, No 7, and Item 213, No 37, 1987) are eligible for income tax exemptions.

- 2. Enterprises operating at penal institutions are eligible for income tax exemptions.
- 3. The Minister of Finance shall determine the size of the exemptions referred to in Sections 1 and 2 and how they are to be calculated.

Paragraph 11. 1. The following are exempted from income tax:

- 1) cooperatives of the blind;
- 2) cooperatives of the disabled certified as protected work establishments;

- 3) profits derived from newly started manufacturing based on domestic inventions or on government orders relating to the development of science and technology, for the period of 3 years from the date application is started.
- 2. The income tax exemptions referred to in Section 1, Points 1 and 2, apply on condition that the funds thus accrued are allocated for the fund for the rehabilitation of the disabled or, at the economic entities performing tasks referred to in Section 1, Point 3, for the development fund of the entity.
- 3. Industrial and service cooperatives of the disabled at which employment of the disabled and persons treated as disabled exceeds at least 70 percent, as well as commercial cooperatives of the disabled at which the corresponding indicator is at least 60 percent, are eligible for a 65 percent exemption on their income taxes.
- 4. Industrial, service, and commercial cooperatives of the disabled at which the indicator of employment of the disabled and persons treated as disabled is lower than that specified in Section 3 but not lower than 10 percent of overall employment, are eligible for a 50 percent exemption in their income taxes.
- 5. The cooperatives of the disabled referred to in Section 3 are additionally eligible for a 1-percent income tax exemption for each percent of increase in their employment of the disabled and persons treated as disabled in their overall employment.
- 6. The funds accrued by cooperatives of the disabled owing to the tax exemptions referred to in Sections 3-5 are subject to allocation for the fund for the rehabilitation of the disabled.

Paragraph 12. Specialized entities of the socialized economy which handle the procurements and processing of secondary raw materials are eligible for a 10-percent exemption in the income tax due for the fiscal year. The list of these entities shall be determined by the Minister of the Domestic Market.

Paragraph 13. Economic entities which operate schools and boarding homes attached to their plants or factories are eligible for an income tax exemption amounting to 25 percent of the cost of the upkeep of each pupil. The amount of the annual cost of pupil upkeep shall be determined by the Minister of Finance in a lump-sum form.

Paragraph 14. Economic entities are eligible for a 10-percent income tax exemption for increasing, compared with the preceding year, the volume of their sales, in comparable prices, of the protective equipment, devices, and clothing needed for work protection, as defined by the Minister of Labor and Social Policy in cooperation with the Minister of Finance.

Paragraph 15. 1. The income tax exemptions specified in Paragraphs 2-5, 10, 12, and 14 shall be credited to the development fund of the economic entities or to other funds of a similar nature.

- 2. The income tax exemptions specified in Paragraphs 8, 9, and 13, shall be credited to profits for distribution.
- 3. The sum total of the income tax exemptions specified in this Executive Order may not exceed 30 percent of the income tax due from economic entities for the fiscal year—with the exception of the exemptions specified in Paragraph 2, Points 1 and 2, Section 1, of Paragraph 3, and Paragraphs 4, 5, and 9-12.
- 4. Income tax exemptions for the same kinds of activity may not be combined; in the event of converging eligibilities for the exemptions, the most favorable exemption applies.
- 5. The concerned tax office may disallow an income tax exemption if the funds accruing from such exemption are not utilized in conformity with the regulations in force. Discounts are disallowed for the years during which improper utilization of the funds is established.
- 6. Income tax owed is construed as the tax computed with regard to the taxation base referred to in Article 44, Sections 1 and 2, of the Decree of 26 February 1982 on the Taxation of Entities of the Socialized Economy (DZ.U., Item 77, No 12, 1987).
- 7. The Minister of Finance shall define the detailed principles and procedure for the granting of income tax exemptions.

Paragraph 16. 1. The following are voided:

- 1) Executive Order of 27 December 1983 of the Council of Ministers Concerning Income Tax Discounts (DZ. U., Item 78, No 13, Items 214 and 215, No 44, 1986, and Item 194, No 35, 1987);
- 2) Executive Order of 25 October 1985 of the Council of Ministers Concerning the Reduction in Income Tax for Certain Socialized Small-Scale Industry Enterprises (DZ. U., Item 269, No 52, 1985, and Item 216, No 44, 1986).
- 2. Economic entities which had prior to 31 December 1987 been eligible for the income tax discounts referred to in Paragraph 2, Section 1 of Paragraph 3, and Point 3, Section 1, of Paragraph 15 of the Executive Order of the Council of Ministers mentioned in Point 1 of Section 1 above, retain the right to these exemptions pursuant to the principles and within the deadlines specified in the present Executive Order.

Paragraph 17. This Executive Order is effective as of the day of its publication and binding as of 1 January 1988.

Chairman of the Council of Ministers: Z. Messner

1386

Soviet Electronics Trade Expands, More TV, Radios on Market

26000540a Warsaw ZYCIE WARSZAWY in Polish 13 Jun 88 p 6

[Article by Henryk Chadzynski: Acceleration in Electronics: More Televisions to Poland; Digital Receivers At a Great Threshold; Exports Decisive"]

[Text] The significant broadening of cooperation between enterprises in Poland and the USSR in the field of electronics is doubly encouraging. First, this broadening is occurring in a field which is a precursor of modernity in all of industry. Second, it contributes to making our products for the market significantly more attractive.

Dr Miroslaw Recha, head of the Unitra Foreign Trade Enterprise office in Moscow, said that more than 180,000 color television sets will be shipped to Poland this year from the USSR or more than 40,000 more than last year. Unitra has also bought a large shipment of portable sets, much sought after in Poland, as well as table and portable radios (150,000 in all).

The majority of the televisions sets will come from the Elektron Combine in Lvov. They will be modernized sets with 20-inch screens similar to those used in Piaseczno. For the first time, a shipment of 18,000 sets from the Horyzont plant in Minsk will be shipped to Poland through Unitra.

The size of the purchases is determined, however, by progress in exports. At present in this area, the value of our purchases exceeds the size of the shipments from Poland. An important trend is worth noting, however. Exports are growing more rapidly than imports, so that a positive balance of trade can be achieved in accord with the plan. Given a 20-percent increase in turnover this year, this task is difficult, for the value of exports is to exceed 75 million rubles.

An important supplier is the Fonica plant in Lodz, which as part of direct cooperation with the Vega plant in Berdsk is shipping 270,000 record players, for which the Soviet partner is building a new type of housing. Fonica is also selling discotheque equipment (about 560 annually) to clubs. The Telpod plant has signed a contract for shipping about 6 million potentiometers to the USSR. Unitra is also selling electrolytic condensers, some types of integrated circuits, and mercury lamps from the Roza Luksemburg Plant in Warsaw.

There are also new opportunities for forming direct cooperation between the Warsaw Television Plant and the Elektron plant in Lvov in the production of so-called digital receivers. The set takes half as much work to produce, which is important for the producer, and lasts three times longer, which will please the buyers. There are also other use values, including better picture quality, compatibility with other equipment such as video tape recorders, adaptability to satellite reception, or newspapers broadcast directly to the screen.

This undertaking is being followed with unusual interest in both countries because of the attractiveness of the products as well as because of the new form of cooperation, which is to aid in overcoming technical and material barriers more rapidly.

13021

Soviet Equipment Purchased for Warsaw Metro Construction 26000545b Warsaw ZYCIE WARSZAWY in Polish 22 Jun 88 p 8

[Unattributed report: "Soviet Materials and Equipment for Metro Construction"]

[Text] A few days ago, Oleg Nikolaevich Makarov, deputy minister of transportation construction of the USSR, and Jerzy Majewski, deputy minister for construction and regional planning of Poland, signed a protocol for a contract on cooperation and technical aid in the construction of the Warsaw metro. It outlines what materials and equipment needed for this investment can be received from the Soviet Union in 1989.

As a result of previous cooperation, we have purchased materials and equipment valued at 37 million rubles in the USSR. Among them are five drilling bits for tunneling, six large gantry cranes (ones with such a large lifting capacity are not built in Poland), Niwa off-road vehicles, and bulldozers for earth work. Within the framework of a long-term agreement, 469 Polish specialists in design, investment organization, construction, and geodesic measuring have taken advantage of training and exchange of experiences. During this time 90 specialists from the Soviet Union have visited our construction site.

Through Polimex-Cekop and Komex, more welders for building the reinforced concrete walls, pullers for removing steel piles, 90,000 m2 of insulation, and the first shipment of cars will arrive at the construction site. The Polish side has also asked its Soviet partners to accelerate the shipment of some items in relation to the original schedule.

Gdansk Shipyards Institute Cost-Cutting Wage Measures

26000540b Warsaw TRYBUNA LUDU in Polish 13 Jun 88 p 3

[PAP report: "Gdansk Shipyard Accelerates Changes"]

[Text] Gdansk—The Gdansk Shipyard, which is experiencing serious financial difficulties and is even threatened with bankruptcy according to rumors, has taken action to get out of its difficulties. One of the first is the introduction beginning 1 June of a new motivational wage system. It has abandoned the largely fictional accord system which allowed abuses and is shifting to a so-called task wage system. Money will be paid only for work actually done, not for merely being in the shipyard. A significant part of the wage fund will be placed under the control of the foremen, who with the knowledge of the entire brigade will reward its members in accord with their contribution to work. It was also decided that for sick time premiums will be reduced by 50 percent.

This step is to reduce the abuse of medical leave, and the abuses are obvious, if one notices that according to statistics young people are sick more than older ones, that sickness is greater not in winter, but in spring and summer, especially during periods of garden work and construction, and that those who previously have earned a high average through overtime most willingly take advantage of the leave time. Recently, absences consumed nearly one-quarter of the nominal work time.

Two working groups named by the management and one named by the trade union are preparing a program of structural, organizational, and investment changes at the shipyard. One of the next steps is to form partnerships with foreign capital which will manage the construction of ships on the basis of self-financing. The participants in the partnership will be from Finland, the FRG, and Sweden. It is anticipated that a part of the production capacity of the shipyard will be leased to domestic partnerships and cooperatives. The shipyard cannot use the capacity because of a shortage of employees. The next change is to broaden the production profile to include ship maintenance and repair, assembly of steel structures, and all types of activities producing a profit.

It will also be necessary to reform the organization, to simplify the many-layered management structure, reduce the bureaucracy, and change the employment structure in favor of workers directly involved in production and technical personnel. At first all tnese changes were to be introduced through 1990; recently, they have been significantly accelerated.

# Self-Management Center on Partnership Groups, Wage Issue

26000540c Warsaw RZECZPOSPOLITA in Polish 15 Jun 88 p 2

[Unattributed article: "Partnership Groups: An Exchange of Experiences"]

[Text] "Today after two and a half years of intense dissemination of group forms of work organization and wages, it would be pointless to persuade ourselves mutually of the need to form partnership groups where the conditions for them exist. Now we pay particular attention to the exchange of experiences on effective methods of implementing them, including the specifics of particular branches and sectors of the economy."

The above comment by Jerzy Szreter, deputy minister for labor and social policy, faithfully reflects the goal of the all-Polish meeting organized on 14 June 1988 under the auspices of the Ministry of Labor and Social Policy and the Center for Study of Self-Management. Representatives of about 200 enterprises from all sectors of the economy in which group organization of work has taken on a fully developed form participated in the meeting.

Representatives of the Ministry of Labor reported on efforts to adapt the provisions of the labor code to partnership forms of organization. They drew attention to the fact that such systemic provisions of the reform that tie the level of wage resources to efficiency as tax provisions counteracting the leveling of wages, the liquidation of extra-systemic reliefs, broader binding of wages to profits, and broadening enterprise independence in determining plant wage systems, all contribute to, and stimulate, the development of group forms of work organization.

However, efforts from above must meet with initiatives from below in this field. During the discussion, attention was drawn to the fact that for partnership groups to achieve their proper results there must be comprehensive, thorough organizational preparation, in many cases—a plowing under of traditional structures and forms of work organization. This usually requires time and effort, which later more than pay for themselves. There were emphatic warnings against a superficial approach to the implementation of partnership groups. Mention was also made of the need to bind them to the system of economic accounting within the enterprises, which will create conditions for multiplying their effects and make it possible to control them better.

13021

Bank Purchase of PKO 'Coupons' Begins 26000540d Warsaw RZECZPOSPOLITA in Polish 17 Jun 88 p 2

[PAP report: "Pewexes' for Everyone"]

[Text] Beginning 16 June 1988, according to a decision by Marian Krzak, the president of the State Bank, the Polish Security Bank, the bank will conduct purchases and sales of goods coupons of the Polish Security Bank, Inc.

"This is the first decision of this type in the socialist countries," said Andrzej Spirydowicz, director of the Third Office of the Polish Security Bank. "We decided to meet the social needs by facilitating and legalizing convertible currency transactions.

Beginning today at the First, Third, and Tenth Offices of the Bank in Warsaw and the Second Office in Katowice, anyone can buy or sell Security Bank coupons without any documentation of their source.

The opening price, which can change depending on supply and demand, is 1,350 zloty per coupon bid by the bank and 1,500 zloty asked by the bank. The Polish Security State Bank will use money earned through these transactions to develop and modernize its network of offices and, thus, to improve its services for its clients.

13021

Trade Exhibit Popularizes Products in Tallin 26000545a Warsaw ZYCIE WARSZAWY in Polish 23 Jun 88 p 1

[PAP report: "Exhibition 'Made in Poland' in Tallin: Tightening Economic Cooperation and Cooperative Links with the USSR"]

[Text] Tallin (PAP)—Jan Cipiur, special PAP correspondent, writes: Forming cooperative ties or tightening previously existing ones, broadening direct cooperation, and presenting current assortments of goods and services that meet the needs and interests of our partners are the chief goals of the 39th export-oriented exhibition "Made in Poland," which was opened in Tallin, the capital of Soviet Estonia. It is also the largest promotional exhibit put on by the Polish Chamber of Foreign Trade in the Soviet Union this year.

During the opening, Wladyslaw Gwiazda, minister of foreign economic cooperation, emphasized that in Poland, external economic activity plays a basic role in cooperation with the CEMA countries, and especially with the Soviet Union. "Its new dimensions are determined by the great reforms being made in both countries," he said. "They are liberating creative initiative, mobilizing new opportunities for economic cooperation and development of trade.

Thirty-one Polish foreign trade enterprises and producers with the right to conduct independent foreign trade came to Tallin. Our exhibitors took account of the specific needs of the buyers in Estonia and the structure of the local economy in which maritime industries and agricultural and food processing play a fundamental role.

# BULGARIA

Social Effects of Restructuring 22000047 Sofia ANTENI in Bulgarian 22 June 88 pp 1, 8-9

[Article by Ivan Nurkov: "Individual and Collective Restructuring. From Gintsi to Paris. More Goods and Services. Give "Ohrid" a Chance. In Conflict with Old Standard Setting. Conservatism against Decree."]

[Text] The "Regulations Manual for Collective and Individual Citizens' Work Activities for the Production of Additional Goods and Services" was approved and became effective in July of last year. It was a direct result of Decree 35 by the Council of Ministers aimed at improving matters in the area for production of goods and services. One year has passed during which we have witnessed the first steps in this area on the basis of the principle decrees of the July Concept for further building of socialism in our country. In taxi transportation and some other areas, there were definite successful accomplishments. A very sensitive problem for the capital city, and other cities as well, was solved quickly and very naturally without any capital investments at all and without the formation of new administrative structures. The People's Councils of some of the large cities, and especially the Sofia People's Council, reacted quickly to the regulations manual. Small businesses transferred for management by contract are already serving their customers. Announcements for bidding continue, a fact which inspires confidence that this is not a one time act, but a consistent compliance with the decree and the regulations manual.

Alongside the accomplishments, however, there were quite a few deterrents and irregularities that appeared. Not everyone understood the profound idea and long lasting striving toward accelerated development for goods and services production. The atmosphere of people doing additional work is changing slowly. Of the numerous activities specifically indicated in the manual, only 2 or 3 are in fact implemented. The consistent implementation of the party and state document was deterred by rigid thinking, caution about private work, suspicions of profiteering, lack of foresight, inadequacy and contradiction especially in administrative acts, and conservative thinking by the small obshtinas' administrations.

Through several reporter observations we discuss these problems to find the causes which are still delaying the development of the great potential of Decree 35 and the Regulations Manual on collective and individual work.

## Each Works for Everyone

On the streets of Paris, it is known, there are many cafes and beer shops. Young friendly waiters meet the customer at the very entrance and without imposing ask "what will the gentleman like." And if the visitor would only like to use the telephone they politely accompany him to show him the place. Here, this cannot happen even to the biggest restaurant boss. In Paris and elsewhere, however, this is not just an obligation. To the owner of a Parisian, Viennese, Athenian, or other cafe, the visit of any customer is an honor, regardless of the reason. The owner knows very well that today the visitor will make a call from his phone and will drink a glass of pastis elsewhere, but tomorrow it may be the reverse. For this reason each works for everyone and everyone for him without any administrative and managerial interrelations. This is the phenomenon of individual interest as part of society's interest. Are there any similar examples here?

I entered the small bar "The Little Lemon" in Boyana to make a small purchase. "Out," [in English] a waitress with red cheeks yelled in my face. I got out immediately. I am grateful, like other citizens, that they still don't beat us in public catering facilities. The way it is going though, it may just happen yet, under the form of some kind of "service."

I entered the beer shop "Ohrid" on "September 9th" Boulevard, also for some little thing. "Please come in. What would you like?" greets me the manager and, of course, I do not believe my ears. I look around. No cameras. I pinch myself. I am in Bulgaria.

There's more. On Slaveykov Square in Sofia, 2 or 3 of the trees are sycamores like the majority of trees on the streets of the French capital. "That's not it, that's not it!" someone would say and would undoubtedly be right. Then I recommend to you, if you haven't done it already, to go to the Gintsi village, 55 kilometers north from the square, before the Petrohan passage. The road runs through the village lengthwise and what calls attention are the little stands in front of almost every door on both sides. On top of each one there are 2 or 3 white little glass jars full of the famous sheep's milk yogurt. Believe me, I am not from this part of the country, but I have never tasted more delicious yogurt. Whatever the technological method is, the villagers know it well. The yogurt is like butter; obviously the milk is not skimmed and the goodness is not taken out. The dairymen from "Dairy Industry" ought to follow the example of the Gitsi village residents. I was left with the pleasure of seeing politeness and smiles everywhere. If you do not see anyone near the little jars when passing through, do not hesitate to stop your car. The owner will come out of the house immediately, often together with his wife, and you will find yourself in their truly congenial company. Oh well, perhaps you don't like something at first. They will direct you to another house with a smile. They know: if you don't sell something to your visitor or to the one passing through today, then perhaps because of the smile and kind words he may wish to come back to their house another time. Perhaps then he will buy something. Such are the people from Gintsi. Even without obvious gain, each one works for all and all work for him. The difficult mountain life does not offer many opportunities for profit. But whatever there are, the people use them wisely and diligently because it is good to profit from working hard. What about the smile? It expresses that the person cares about you and at the same time is interested in you, regardless of whether you are in Gintsi or Paris.

# Beer Shop "Ohrid"

In the beer shop "Ohrid" I spoke with the owner, Slavcho Smilyanov. He had been the manager of a restaurant for more than 20 years and then he worked as an economist. Almost due to retire, he has decided to finish his working career the way he started. He participated in the bidding and won the contract to rent the establishment. His wife, who is a professional accountant, helps him, and his son and daughter-in-law also do so.

The beer shop has changed noticeably inside and out within 2 or 3 months. All of a sudden, it is obvious that it is well managed. And as before, it continues to be a kind of a neighborhood club, but on a higher cultural level.

Diligence must be noted and encouraged. Including people like Slavcho Smilyanov and his wife. This exactly was done by the previous Kirkovski Rayon People's Council, and specifically by Vice Chairman Plamen Goshev. After the new administrative division of Sofia, the "Vitosha" Obshtina modified the list for offered services and prohibited some alcoholic beverages. Business goes down. The renter's income and that of "Public Catering," the owner, also goes down. It gets to the point where the customers buy their drinks in the store next door, drink them standing by the fence of the beer shop or secretly somewhere else, and then finish drinking inside in a more dignified manner using the permitted beverages.

We know, because we've seen it with our own eyes, that every public catering establishment goes to a higher category after renovation. Why doesn't that happen with the beer shop "Ohrid" after Smilyanov's efforts? Increase the rent if necessary, but let's allow greater profit. It benefits everyone.

## Losing Faith

During the talks about Decree 35 and the Regulations Manual for collective and individual work to secure more goods and services, mainly taxis, small businesses, and catering establishments were discussed. Why isn't there more movement in the other branches of manufacturing and services? One of the deterrents, discrepancies in taxation, is already eliminated by ukase of the State Council. The act of 1952 remains however, which in its time crushed (mostly) the possibility for small private enterprise by individuals.

The main reason for the lack of notable success in the year-long implementation of Decree 35 and the Manual is the uncertainty and scepticism about these documents. So many have come out, and so much has been changed or replaced that "we are losing faith."

The owner of a car interested in providing taxi services does not have to add anything to his means of production, except maybe a little sign. If things change tomorrow, the car goes back in the garage and that's it. He will not have any losses. The situation with small retail businesses is similar. Their civil contract protects them from administrative mishandling. It is against the law to violate it and if that happens there are compensations involved. But, for example, what should a car mechanic do? He needs to buy diagnostic and hydraulic equipment. It is necessary to dig a well because he is prohibited from using drinking water. All this costs a great deal of money and anyone would be afraid of wasting it.

There is an urgent need for jar lids. But one would need to make some high cost capital investments without getting any guarantee. Result: no lids.

# Competition and Monopolistic Mentality

After several months of applying the manual, the first recidivism of monopolistic mentality appeared. And unfortunately it appreared in the very participants in companies. Our newspaper gave space to a collective letter from some Burgas residents who have formed a company for taxi services. Without any chance for flexibility, they demanded to discontinue the acceptance of new members, because you see, Burgas does not need any more taxis. A sign appeared on the door of one company in Sofia: "Applications not accepted." It turns out, a citizen not used to his rights cannot use them when they are given to him, and even tries, if possible, to be the only one who has them.

People with such mentality must be told clearly, as it is stated in the corresponding documents, that socialist competition alone regulates various sectors in additional production of goods and services to the necessary level in society. Every interference with the mechanism of socialist competition leads to distortion of individual and collective interests and becomes a deterrent for fulfilling social interests. Each administrative intervention here takes us back to the time before the approval of the July Concept for socialist development in our country.

The poorly developed system of retail shops and public catering establishments in our country are a great embarrassment to socialist competition. What kind of competition between two public catering establishments can we speak of, if there is only one in the area, or if the distance to the closest one is 1 kilometer? The establishments can be smaller, but let's have one on every corner. Only then we will not be seeing differential income because of the monopolistic situation of one business in an entire

neighborhood. Such income is now received by the owners of all small businesses rented out for management (with a few exceptions). Is this socially fair?

# Two Proposals

The editorial staff received suggestions for the Council of Ministers to improve the set of regulations used in applying Decree 35 to increase production of goods and services. Almost all suggestions are timely and necessary because they have been conceived after people have suffered from lack of goods and services. We would like to make two proposals.

We recommend to change the set of regulations used in bidding which allows the second or third participant in the bidding (according to the size of the bid) to receive the contract for management if the first (that is, the winner) declines the contract.

This recommendation is different from the way bidding has been done in the past, and will help get rid of swindlers. The case is as follows: Along with all participants in the bidding, there are two "players." Let's assume the opening bid is for 10,000 leva. In the first two minutes we see the following scenario: The bid, for example, is now 12,000 leva and the last one to bid is one of the "players." At that time the second one bids at once 25,000 leva. At this enourmous sum the other participants in the bidding stop participating. Everything seems legal. The state enterprise gets twice the amount of the opening bid. But the very next day, however, the "winner" goes to the People's Council an makes a statement that for important reasons he finds it necessary to turn down his "winning." So the winner now is his partner in the crime called "bidding" because the state loses a significant amount by having the bidding interrupted in such a drastic way by a prearranged agreement.

For this reason we propose no changes in Article 8, paragraph 9 of Regulation No 3 of the Ministry of Commerce and the Ministry of Finance.

The proposal on formation of cooperatives, partnerships, and companies after the Obshtina People's Council approves and gives permission, evokes mixed feelings. It does not take into consideration the Law on Individuals and Families, which deals with partnership formation of citizens for economic or non-economic reasons. This proposal to the Council contradicts not only this law, but also the Basic Law. It insists that the Council retain the right to limit and regulate the right to form partnerships. This is unthinkable because it is against the law. The People's Council should not have such prerogatives. Quite the opposite. Administrative acts should be reviewed and those acts which limit citizens in implementing Decree 35 and others, should be eliminated.

The two abovementioned proposals are only the tip of the iceberg called "Administrative Methods based on Commands" in management. Should councils deal with production of goods and services and be required to have managerial duties when, as we can see, they neglect their main resposibility to take care of the people and the city (or town) where they have been elected?

It is summer again and the garbage around the blocks gives us an odoriferous remainder that "inspectors" in this area are as numerous as the flies around the garbage cans, while those not inspecting cannot keep up with their work for a number of reasons. On our street named Marinkovitsa in the Boyana municipality, even the old people cannot remember when was the last time they've seen a water hose and a cleaning truck. (The minicipality does get credit for regular trash collections; maybe cleaning is someone else's job.) Our neighborhood grocery store works with regular interruptions, sometimes lasting several months (at this moment it is closed again). The only thing irregular is its stock.

Is it not possible that the people's council think a little more about these ordinary problems?

The desire to limit and regulate the right to form partnerships looks like the old story about the wishes of customs at the border of Thessalonica and the merchants' cream. There is room for bribery where there are numerous administrative acts, decisions, rules, regulations and others. And these acts increase in numbers because of delayed improvement of the law or because of circumventing the law. This is more convenient, because with 5 leva, a bottle of whiskey, or a color TV one can circumvent all administrative regulations which the courts do not deal with as a matter of principle. This is exactly where council administrators become kings. They swim like sharks in this sea of acts bringing whinds of consequences for small, non-administrative fish.

These thoughts follow the first steps for collective and individual citizens' work for increased production of goods and services. Taxi transportation and small businesses are not the first swallows to arrive, but what a glut of check-ups, inspections, and so on, followed immediately with the question on the role of individual interest in the building of socialism which was answered definitely!

A driver from "Cooptaxi" is waiting for customers on a main street. Instead of customers, some inspectors enter and sit in his car. "Let's see this, let's see that..." they say. Having bid for and gotten a contract to run a small establishment, the owner waits all day looking in the distance for the beer delivery truck so that business can pick up a little. The truck doesn't come, instead a car arrives in the evening bringing the next inspection.

To sum it all up: inspections are plentiful. The questions is: Where's the beer?

If provisions for collective and individual work activities are elevated to the level for securing inspections, then without doubt, we will be saturated with goods and services. Let's find an optimal equilibrium.

The July Concept for further building of socialism in our country established new resposibilies and tasks for central state organs and the obshtinas. We are at the start of grand scale restructuring in all socioeconomic and cultural areas. As we have been convinced, new forms of activities to produce goods and services appear under

certain favorable conditions. Mentality is changing. Individual interests are having more and more in common with those of society and are becoming their integral part. Future consideration of socialist practice, the elimination of contradictions and discrepancies, we are sure, will contribute to attain new quality socialism in our country and will help establish us as a highly developed and modern nation.

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